King County *State of Washington*

Quantifiable Business Case
Business Operations Model Report

"Accountable Business Transformation"

July 16, 2004

King County, State of Washington

Business Operations Model Report

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Executive Summary

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King County is a $3 billion dollar a year enterprise. It has nearly $2 billion dollars in fixed assets. It provides vital services including public safety, health, transportation, and environmental quality. Successive years of budget crises have challenged the county's ability to deliver these services. Performing them requires over $80 million in business support for finance, human resources, payroll, and budgeting.

King County lacks modern business processes and systems. The county has recognized these deficiencies and embarked on business improvements. Some of these improvements have been successful, others have not. The Human Resource Unification project is an improvement that has met with success. The most notable unrealized improvement was the Financial System Resource Planning project (FSRP). That project was terminated with only partial systems capability implemented.

> "[In the future,] *King County's financial, human resource, and budget management functions are fully integrated, efficient and effective, and enhance the county's ability to provide essential services to its customers."*
> *-- King County Vision and Goals*

To learn from FSRP challenges, the county had a Critical Assessment and Improvement Plan completed in 2001. Since then, the county has been implementing the recommendations of that plan, including a governance structure and a Vision and Goals document. The Vision and Goals statement was approved by the county Council. This current effort, the Quantifiable Business Case (QBC), analyzes business support and presents an improvement plan consistent with national standards, industry best practice, and the county's vision and goals.

While the FSRP's focus was technology change, the QBC is about business change involving people, processes, and technology.

The QBC consists of three major elements: Business Operations Model, Quantifiable Business Case, and Operating costs. This document, the Business Operations Model, includes an assessment of the current processes and systems, an evaluation of alternatives for improvement, and a recommendation and implementation plan.

The QBC is referred to as "Accountable Business Transformation" because it recommends not only improvements to business processes but also ways to measure if the improvements are achieved.

A. Key Findings

Key findings from the assessment for each business area include:

1. Financials Business Area

The current financials business model supports the basic financial needs of the county. It produces auditable financial statements, makes vendor payments, manages cash, does billing, and performs other functions. Personnel understand the model and processes and enjoy some flexible reporting capability. The model supports many contemporary purchasing practices and effectively schedules payments to maximize discounts and investment opportunities. Problems related to the Financials Business Area include:

- Labor intensive, cumbersome, and confusing processes with two financial systems.

- Many agency specific financial systems.

- Redundant processes, redundant data entry, and inconsistent policies and procedures.

- Out-of-date, inadequate management reporting.

- Outdated, inefficient physical inventory process and policies.

- Dispersed, paper-based document storage creating inefficient and inconsistent processes.

- Limited ability to leverage purchasing power because of nonintegrated processes.

I think it an object of great importance…to simplify our system of finance, and to bring it within the comprehension of every member of Congress… The whole system [has been] involved in impenetrable fog."
-- Thomas Jefferson, 1802

Exhibit E-1 on the following page presents the finance area business process.

Exhibit E-1: Current Accounting Process – Simplified View

Fin opportunity1_before.vsd
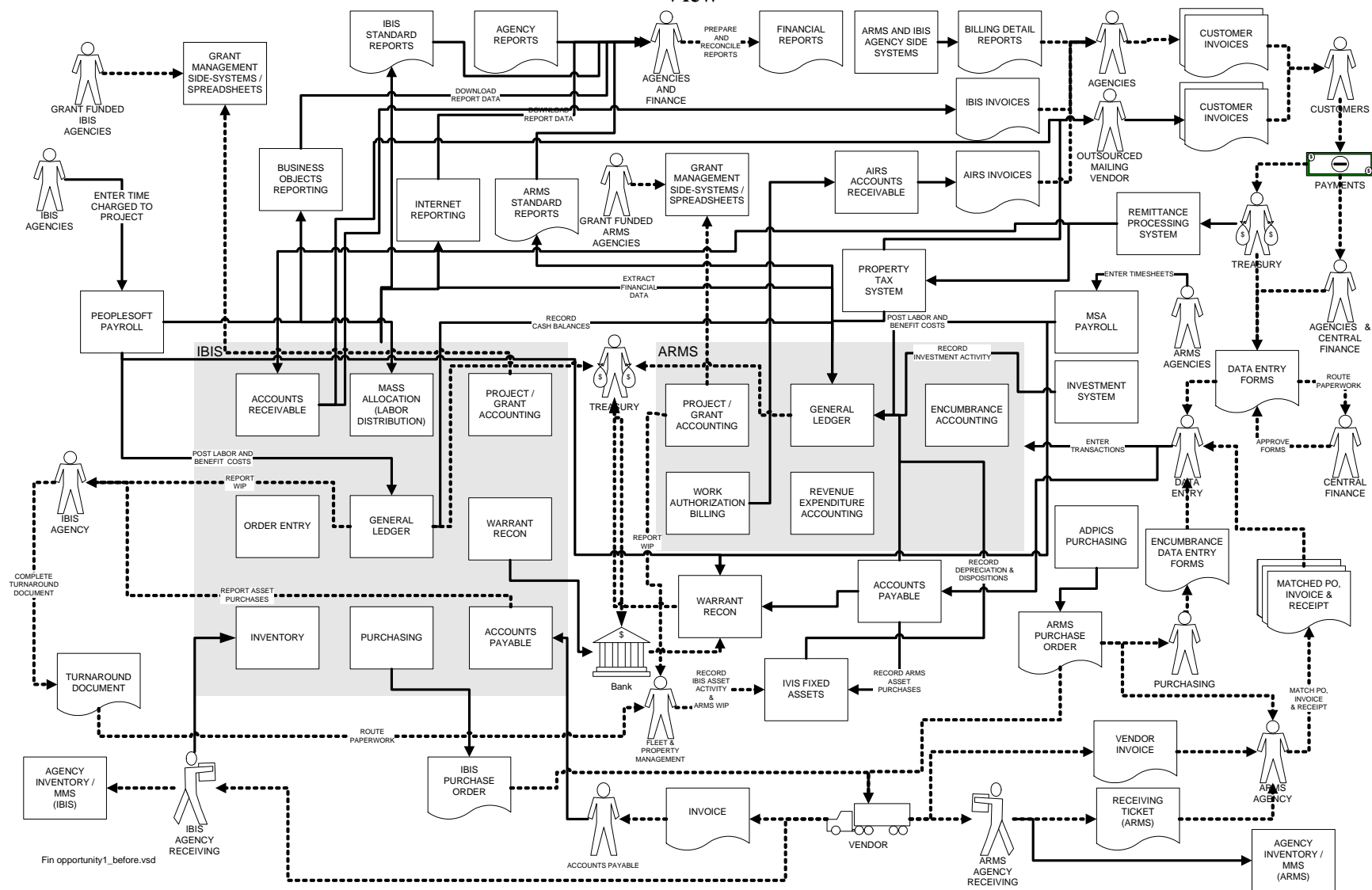
2. Human Resources Business Area

The current human resources model includes an experienced pool of subject matter experts. They have a detailed plan of action through the Unification Project. There is a willingness to improve. Problems with the model include:

- Multiple, cumbersome human resource processes and systems.

- Difficulty accessing data impacting productivity and resulting in numerous ad hoc systems.

The county has experienced costly lawsuits in employment practices – QBC

- Inadequate, inconsistent management information (e.g., retirement and turnover statistics).

- Costly lawsuits.

- Inconsistent policy implementation across multiple systems.

- Lack of performance-based appraisals and compensation.

- Complicated labor agreements.

- Limited succession planning.

3. Payroll Business Area

The current environment for the Payroll Business Area is stable. The county has successfully rolled out PeopleSoft Payroll and Human Resource System to some agencies. There is an understanding of effort, risks, and pitfalls required for the balance of county rollout. Issues related to the Payroll Business Area include:

- Multiple, cumbersome payroll processes and systems.

- Inconsistent pay policy.

- Costly lawsuits.

Nationally, it costs an average of $6 to issue a paycheck; it costs King County $22 – QBC

- Labor-intensive semimonthly cycle.

- Inefficient processes for time and employee data entry, approval, validation, and correction.

- Difficult system access.

- Many manual processes (report distribution, manual checks).

4. Budget Business Area

The current budget process meets basic budget needs. The environment is stable and it provides tools that meet the Office of Management and Budget (OMB) requirements. Problems with the current business process include:

- Difficulty accessing data for policy initiatives.
- Inconsistent automation and lack of data integration.
- Inability to assess the cost of services and set priorities.
- Limited evaluation of current budget levels.
- Limited time for budget analysis.
- Little performance measurement.
- Little countywide capital planning.
- Limited attention to asset preservation.
- No countywide project status reporting.

B. Business Process Costs

The assessment also included an analysis of business process costs. The current costs for each business function were obtained through two agency surveys. The first survey gathered operating costs countywide. This survey identified operating costs specific to the business areas in the Assessment. The second survey was conducted with the same departments to determine the operational costs and the FTEs applicable to each business function.

A summary of the costs by business area is presented in Exhibit E-2 below:

Exhibit E-2: Costs by Business Area

Business Area	Total (000)
Financials	34,085
Human Resources	28,519
Payroll	10,360
Budget	11,398
Total	**$84,362**

C. Opportunities

Based upon national standards, industry best practices, and county subject matter input, the project identified opportunities for large-scale improvement. These opportunities enhance the county goals of:

- Accountability.

- Consistency.

- Accuracy.

- Improved Communication.

- Better Decision Support.

- Efficiency.

- Increased Service.

1. Financials Opportunities

The analysis of the Financials Business Area resulted in five high payback areas with the potential to significantly increase the effectiveness and efficiency of King County. The five high payback areas for the Financials Business Area are:

- **Automate, integrate, and consolidate business processes**. By implementing contemporary technology and best practices in financial accounting and reporting, the county can more efficiently monitor its financial activity while improving the management decision process.

- **Enhance the finance data warehouse.** Implementing a data warehouse will improve the ability to produce countywide financial information. Most contemporary financial systems would include this capability.

- **Implement electronic document management**. Implementing an electronic document process will standardize how documents are stored and retained and allow anyone needing to review the document to quickly and efficiently access it.

- **Implement procurement best practices**. Continuing and expanding the initiatives for records and online catalogues will reduce processing costs related to purchases and reduce the purchase cost of procuring commodities.

- **Implement capital asset accounting best practices**. Changing the capital asset process will provide better tracking of assets at a lower cost.

2. Human Resource Opportunities

The analysis of the Human Resources Business Area resulted in five high payback areas with the potential to significantly increase the effectiveness and efficiency of King County. The five high payback areas for the Human Resources Business Area are:

- **Implement performance management best practices**. This allows training investment to be focused on higher priority needs and encourages quality employees to stay at the county.

- **Refine and standardize the collective bargaining process**. This will create efficiencies in the negotiation process and make contract terms easier to understand and implement.

- **Develop and implement succession planning practices**. This will provide a clear plan to address the inevitable retirement or turnover of employees in key positions.

- **Automate, integrate, and consolidate business processes**. Moving all employees to a single human resources/payroll system will provide the ability to standardize practices and to review and analyze countywide trends and statistics.

- **Implement Quality Assurance (QA) strategies**. This will maximize process efficiencies using best practices. A quality assurance program combined with improved communications will improve the performance and satisfaction of county staff.

3. Payroll Opportunities

The analysis of the Payroll Business Area resulted in one high payback area with the potential to significantly increase the effectiveness and efficiency of King County. The high payback area for the Payroll Business Area is:

- **Automate, integrate, and consolidate business processes**. Migration of the county to a single pay cycle and Human Resource/Payroll system will significantly reduce the county's cost to produce a paycheck and bring it more in line with national averages.

4. Budget Opportunities

The Budget Business Area analysis resulted in three high pay back areas with the potential to significantly increase the effectiveness and efficiency. These are:

- **Automate, integrate, and consolidate business process**. By improving the efficiency of submitting and analyzing budget data, the focus can be on key decisions rather than transaction processing.

- **Increase analytical capability**. By implementing activity-based costing and integrating performance measures, the budgets can focus on the highest priority activities, reallocate current level expenditures, and improve performance.

- **Improve capital planning and monitoring**. By doing countywide capital planning and focusing on asset management, the county can extend the life of its assets and avoid paying higher reconstruction costs. By implementing robust CIP project monitoring, the cost of CIP projects can be reduced, allowing the county to reduce the CIP budget or refocus the savings to other priority projects.

"You can either pay me now or pay me a lot more later." – Fram Oil Filter Commerical

D. Alternatives

Based on the information gathered through the Assessment process and the analysis of the high payback opportunities, Dye Management Group, Inc. developed three alternatives for addressing improvements to the business process for King County. The alternatives can be summarized as follows:

- **Status Quo** – This alternative keeps the current processes and support systems. No investment would be made to improve the business processes or the systems.

- **Enhance Current Processes** – This alternative would enhance current business processes without replacing the current systems. Minimal enhancements would be made to the current systems to improve integration, provide new reporting capabilities, and provide more access to the data. Changes to business processes would focus on those that are not system dependent and can be implemented with minimal system enhancements.

- **Business Transformation** – This alternative would fully implement the high payback opportunities using industry best practices. It assumes that the migration to PeopleSoft would be implemented for all county employees. Initially it was assumed a new financial system would be purchased and implemented for all departments using one of the major ERP applications. As we developed the recommendation, we modified this assumption to recommend that Oracle be implemented countywide. This alternative also presumes implementation of a single countywide budget system that is fully integrated with the Financials, Human Resources, and Payroll processes. Oracle could also be the basis for this business area.

These alternatives provide significant differences in the cost of implementation and operation and the business processes that would be included in each. There are also significant differences in the benefits that would be realized with each alternative. Alternative 3 – Business Transformation has the highest benefit value and also the most opportunities for reducing business process costs. The costs of each alternative are summarized in Exhibit E-4.

Exhibit E-3: 10-Year Cost and Benefit Summary

	Alternative 1	Alternative 2	Alternative 3
Implementation Costs	$0	$5,641,151	$71,501,916
Incremental Operating Costs (over 10 years)	*0*	*30,679,687*	*34,469,209*

It was not within the scope of this engagement to update payroll and financial system implementation costs. However, we do recommend a change in the financial system strategy to a rollout of the Oracle system countywide. At this point, we recommend the county obtain updated licensing and implementation costs for this approach.

E. Quantifiable Benefits

For the high payback opportunities, tangible, quantified benefits were estimated where possible. Intangible or non-quantified were also identified. We believe these estimates are reasonable based on industry experience. King County's actual benefits will vary and depend on a number of factors including whether all of the recommendations in this report are properly implemented. These factors include establishing a proper governance structure and outsourcing systems, business process improvement, and systems implementation. In order to identify actual benefits, the county needs to develop a performance measurement process and benchmark these over time.

The following table presents a comparison of the net benefits of each alternative over 10 years. (These are the benefits after the cost of each alternative is subtracted.) This indicates the highest net benefit by far is Alternative 3.

Exhibit E-4: 10-Year Net Benefit Comparison

Alternative 1	Alternative 2	Alternative 3
$0	$153.2 million	$236.9 million

Exhibit E-5 below summarizes the annual savings identified for each of the opportunities. The benefits are based on assumptions about how soon the changes will be implemented and the benefits start accruing.

Exhibit E-5: Projected Benefits

Opportunity	Annual Benefits (000)
Financials Business Area	
Automate, integrate, and consolidate business processes	**$6,211**
Implement electronic document imaging management	**2,490**
Implement procurement best practices	**5,484**
Implement capital asset management best practices	**118**
Human Resources Business Area	
Automate, integrate, and consolidated business processes	(See Payroll Business Area)
Implement performance management best practices	**14,082**
Refine and standardize the collective bargaining process	**164**
Develop and implement succession planning practices	**1,330**
Implement quality assurance strategies	**1,358**
Payroll Business Area	
Automate, integrate, and consolidate business processes	**3,192**
Budget Business Area	
Implement enhanced automation	**N/A**
Increase analytical capability	**N/A**
Improve capital planning and monitoring	**N/A**

F. Recommendation

Dye Management Group, Inc. recommends that the county proceed with Alternative 3 – Business Transformation, assuming it addresses the high risk factors mentioned in this report. This solution will bring contemporary financial and human resource best practices to King County. It can result in almost $239 million net benefit over 10 years. The upfront investment will be $71.5 million. Key risks that must be managed relate to governance, project management, and change management.

The key to a successful transition is a proven, worldwide, common-sense implementation strategy. We have developed an incremental transition strategy that includes a series of projects each moving the county towards its goal of integrated processes and systems. The incremental approach will allow the county to realize benefits earlier while reducing the risk of a large project. It also gives the county the opportunity to reassess the project progress over time and adjust the overall schedule to accommodate changing priorities or resource constraints.

We further recommend the county implement Oracle countywide in conjunction with an incremental implementation of PeopleSoft for payroll and human resources. An agency-by-agency Oracle rollout has the lowest risks and costs and the greatest potential for realizing tangible benefits. The County already knows how to use, manage, and upgrade Oracle financials. We do not recommend implementing Oracle as is; instead, the implementation plan includes reconfiguring Oracle to meet the needs of all departments. At a minimum, the fit analysis and reconfiguration process must address encumbrance accounting, labor distribution, fixed asset integration, and budget monitoring.

Our recommendation is based on the alternatives alignment with the county's vision and goals, support for best practices, costs, benefits, and risks.
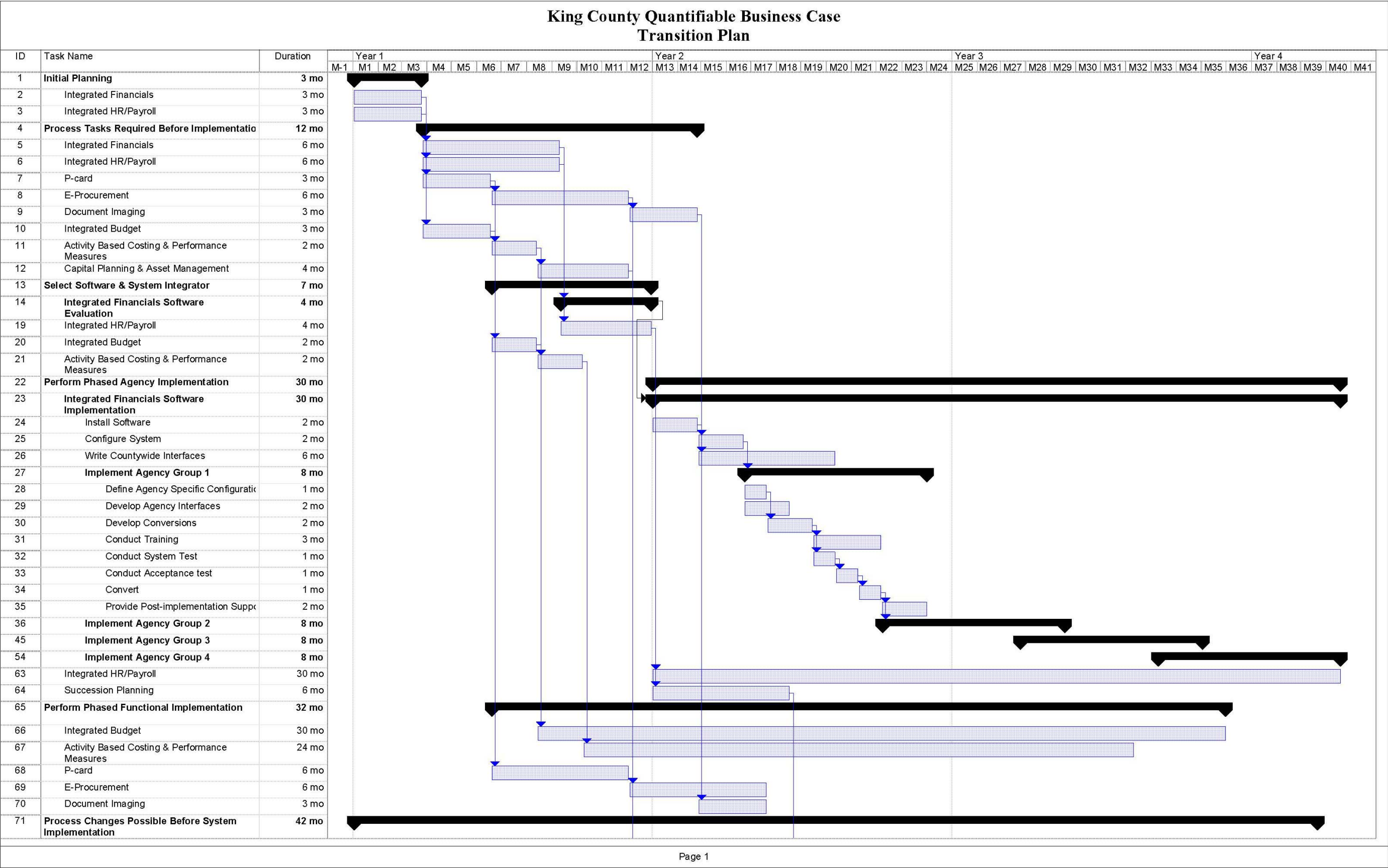
- **Alignment with King County Vision and Goals –** This alternative provides the best alignment with the county's stated vision and goals.

- **Alignment with Industry Best Practices –** This alternative provides the county with the opportunity and tools to implement best practices in all of the business areas.

- **Positioning King County to Successfully Take on an ERP Implementation Project –** An incremental implementation greatly reduces risk. Implementing a product that is already known (Oracle Financials and PeopleSoft) further reduces risk.

The transition strategy presents an incremental approach to converting agencies to a common financial and human resources/payroll system. The previous vision for implementation was to convert the remaining staff to PeopleSoft followed by the implementation of the new financial system. The approach presented here focuses on transferring a manageable number of agencies and staff to both Oracle and PeopleSoft at the same time. New business processes would be implemented in each agency as the agency is converted.

New business processes and system functionality would also be implemented incrementally throughout the transition. This would include integrating budget, project management, activity-based costing, fixed assets, inventory control, and additional human resources processes and functionality.

Exhibit E-6 presents a high level transition plan.

Exhibit E-6: Transition Plan

King County Quantifiable Business Case
Transition Plan

ID	Task Name	Duration
1	**Initial Planning**	**3 mo**
2	Integrated Financials	3 mo
3	Integrated HR/Payroll	3 mo
4	**Process Tasks Required Before Implementation**	**12 mo**
5	Integrated Financials	6 mo
6	Integrated HR/Payroll	6 mo
7	P-card	3 mo
8	E-Procurement	6 mo
9	Document Imaging	3 mo
10	Integrated Budget	3 mo
11	Activity Based Costing & Performance Measures	2 mo
12	Capital Planning & Asset Management	4 mo
13	**Select Software & System Integrator**	**7 mo**
14	**Integrated Financials Software Evaluation**	**4 mo**
19	Integrated HR/Payroll	4 mo
20	Integrated Budget	2 mo
21	Activity Based Costing & Performance Measures	2 mo
22	**Perform Phased Agency Implementation**	**30 mo**
23	**Integrated Financials Software Implementation**	**30 mo**
24	Install Software	2 mo
25	Configure System	2 mo
26	Write Countywide Interfaces	6 mo
27	**Implement Agency Group 1**	**8 mo**
28	Define Agency Specific Configuration	1 mo
29	Develop Agency Interfaces	2 mo
30	Develop Conversions	2 mo
31	Conduct Training	3 mo
32	Conduct System Test	1 mo
33	Conduct Acceptance test	1 mo
34	Convert	1 mo
35	Provide Post-implementation Support	2 mo
36	**Implement Agency Group 2**	**8 mo**
45	**Implement Agency Group 3**	**8 mo**
54	**Implement Agency Group 4**	**8 mo**
63	Integrated HR/Payroll	30 mo
64	Succession Planning	6 mo
65	**Perform Phased Functional Implementation**	**32 mo**
66	Integrated Budget	30 mo
67	Activity Based Costing & Performance Measures	24 mo
68	P-card	6 mo
69	E-Procurement	6 mo
70	Document Imaging	3 mo
71	**Process Changes Possible Before System Implementation**	**42 mo**

King County Quantifiable Business Case
Transition Plan

ID	Task Name	Duration
72	Asset Management Policy	1 mo
73	Capital Planning & Monitoring	24 mo
74	Performance Management	12 mo
75	Union Contracts	24 mo
76	Succession Planning	6 mo
77	Mentoring Program	6 mo
78	Quality Assurance	36 mo

I. Introduction

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King County is a $3 billion dollar a year enterprise. It has nearly $3 billion dollars in fixed assets. It provides vital services including public safety, health, transportation, and environmental quality. Successive years of budget crises have challenged the county's ability to deliver these services. Performing them requires over $80 million in business support for budgeting, finance, human resources, and payroll.

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The QBC is referred to as "Accountable Business Transformation" because it recommends not only improvements to business processes but also ways to measure if the improvements are achieved.

The document has three major chapters:

- Assessment

- Evaluation

- Recommendation

A. Assessment

This chapter presents the assessment of the current King County processes. King County has complex and varying business processes, many of which are not implemented consistently through the county. The processes used by the departments and the central support groups like the OMB, Finance, and Human Resources align with the systems that support them and the historical cultural differences are still in place since the county merger with Metro in 1994. The county still operates two financial systems and two human resources/payroll systems creating significant variances in the associated operational processes. As the merger has progressed, there are some departments using both systems. They are referred to as "straddle" agencies, meaning they have people and financial information in both systems and must follow two sets of processes depending on the employee or the financial transaction.

The business model assessment goes beyond the processes associated with the systems used for budget, financial accounting, human resources, and payroll for the two historic organizations. The assessment documents the current business processes and the improvements that can or should be made to operate as a world class organization. To that end, we considered contemporary best practices in the assessment of each process.

1. Assessment Methodology

The assessment in each business area was conducted through review of existing documentation, multiple work sessions with the functional leads and designees, and two rounds of focus group sessions conducted for each functional area. The focus group topics were determined by grouping business functions topical areas. For example, the human resource focus groups were aligned with the five Human Resources business functions. For budget, separate focus groups were held for operating and capital budget processes, covering all of the business functions related to budget development and maintenance. Each focus group included six to nineteen participants selected by the county as subject matter experts. The subject matter experts included program managers from the Executive branch, as well as representatives from non-Executive branch agencies participating in the project.

2. Process Integration

In addition to looking at each of the business areas individually, the team held a Process Integration focus group to identify the business functions that were dependent on one another for data across the business areas. County business functions have significant integration needs as one business function is dependent on other business functions for key information.

3. Business Process Costs

The current costs for each business function were obtained through two agency surveys. The first survey gathered the operating costs countywide and identified operating costs specific to the business areas and systems included in this assessment. The second survey was conducted with the same departments to determine the operational costs for each business function.

B. Evaluation

This chapter presents the evaluation of the high payback opportunities for improving King County's business processes in the Budget, Financials, Human Resources, and Payroll Business Areas and the alternatives for implementing a new business operations model. High payback opportunities were developed for each business area based on the information gathered during the assessment process and industry best practices.

The opportunities and the alternative business models go beyond the processes associated with the systems used for budget, financial accounting, human resources, and payroll. The evaluation addresses the improvements to business processes which can or should be made for King County to operate as a world-class organization. To that end, we considered contemporary best practices in developing the opportunities and assessing the alternatives.

1. High Payback Opportunities

High payback opportunities were identified and evaluated based on the assessment analysis and industry best practices. These opportunities were developed to address the most compelling problems in the county's current business process while generating the maximum return on investment for the county. The high payback opportunities include:

- Financials Business Area

  - Automate, integrate, and consolidate business processes.

  - Enhance the finance data warehouse.

  - Implement electronic document imaging and management.

- – Implement E-Procurement.

- – Implement capital asset management best practices.

- Human Resources Business Area

  - – Automate, integrate, and standardize processes.

  - – Implement performance management best practices.

  - – Refine and standardize the collective bargaining process.

  - – Develop and implement succession planning activities.

  - – Implement quality management.

- Payroll Business Area

  - – Automate, integrate, and standardize processes.

- Budget Business Area

  - – Implement enhanced automation.

  - – Increase analytical capability.

  - – Improve capital planning and monitoring.

2. Alternatives

The alternatives evaluation is presented for each business area. In addition, the integration evaluation summarizes the business areas for each alternative. The alternatives comparison is presented in tables to better demonstrate the difference between the alternatives. The alternatives can be summarized as follows:

- **Status Quo** – This alternative keeps the current processes and systems that support them. No investment would be made to improve the business processes or the systems.

- **Enhance Current Processes** – This alternative would enhance current business processes without replacing the current systems. Minimal enhancements would be made to the current systems to improve integration, provide new reporting capabilities, and provide more access to the data. Changes to business process would focus on those that are not system dependent or that can be implemented with minimal system enhancements.

- **Business Transformation** – This alternative would fully implement the high payback opportunities using industry best practices. It assumes that the migration to PeopleSoft would be implemented for all county employees. Initially it was assumed a new financial system would be purchased and implemented for all

departments using one of the major ERP applications. As we developed the recommendation, we modified this assumption to recommend that Oracle be implemented countywide. This alternative also presumes implementation of a single countywide budget system that is fully integrated with the Financials, Human Resources, and Payroll processes. Oracle could also be the basis for this business area.

- It was not within the scope of this engagement to update payroll and financial system implementation costs. However, we do recommend a change in the financial system strategy to a rollout of the Oracle system countywide. At this point, we recommend the county obtain updated licensing and implementation costs for this approach.

3. Recommendation

The recommendation chapter documents the recommended alternative and the process for getting there. It presents an incremental implementation plan with a series of projects, each of which will provide meaningful benefits while preparing the county for the completion of subsequent projects.

II. Assessment

■

A. Overview

This chapter presents the assessment of the current King County processes. King County has complex and varying business processes, many of which are not implemented consistently throughout the county. The processes used by the departments and the central support groups like the OMB, Finance, and Human Resources align with the systems that support them and the historical cultural differences are still in place since the county merger with Metro in 1994. The county still operates two financial systems and two human resources/payroll systems creating significant variances in the associated operational processes. As the merger has progressed, there are some departments using both systems. They are referred to as "straddle" agencies, meaning they have people and financial information in both systems and must follow two sets of processes depending on the employee or the financial transaction.

The business model assessment goes beyond the processes associated with the systems used for budget, financial accounting, human resources, and payroll for the two historic organizations. The assessment documents the current business processes and the improvements that can or should be made to operate as a world class organization. To that end, we considered contemporary best practices in the assessment of each process.

Detailed findings are presented in a separate section for each business area. Each section contains the following information:

- **High-Level Process Documentation** – This is a summary of the functions in each process. The detail charts are included in appendices.

- **Centralized vs. Decentralized Processing Methods** – This identifies the business functions that are centralized versus those that are decentralized. In most cases, there is a mixture for a business function. Each section contains a table that approximates the degree of centralization/decentralization for each function.

- **Process Efficiencies, Process Gaps, and Process Inefficiencies** – This presents the findings from the documentation review by the focus groups as well as observations of Dye Management Group, Inc. consultants during the assessment process.

- **Cost of Operations** – This presents the current costs for each business function obtained through two agency surveys. The first survey gathered the operating costs countywide. This survey identified operating costs specific to the business areas included in this assessment. The second survey was conducted with the same departments to determine the staffing and operational costs for each business function. These sections present a compilation of costs from both surveys.

- **Benefits** – This documents the benefits derived from the current business processes.

- **Constraints** – This identifies policy, legal, and contractual limitations that drive the current business function or that create challenges for changing the process.

- **Performance Measures** – This identifies performance measures related to the current business functions.

- **Role of Technology** – This documents how technology does or does not support the current processes.

- **Common and Differing Processes** – This documents many of the impacts that dual systems create for the business functions.

1. Assessment Methodology

The assessment in each business area was conducted through review of existing documentation, multiple work sessions with the functional leads and designees, and two rounds of focus group sessions conducted for each functional area. The focus group topics were determined by grouping business functions topical areas. For example, the human resource focus groups were aligned with the five Human Resources business functions. For budget, separate focus groups were held for operating and capital budget processes, covering all of the business functions related to budget development and maintenance. Each focus group included six to nineteen participants selected by the county as subject matter experts. The subject matter experts included program managers from the Executive branch, as well as representatives from non-Executive branch agencies participating in the project.

2. Process Integration

In addition to looking at each of the business areas individually, the team held a Process Integration focus group to identify the business functions that were dependent on one another for data across the business areas. County business functions have significant integration needs as one business function is dependent on other business functions for key information. Exhibit II-1 illustrates the touch points between the business functions at a high level. In addition to the interfaces data flows illustrated, there are many others between functions within a business area and at the system level (one line on this chart may represent several system interfaces).

Appendix A contains the detailed flow and the opportunity analysis from the Business Process Integration focus group.

Exhibit II-1: Process Integration Flow
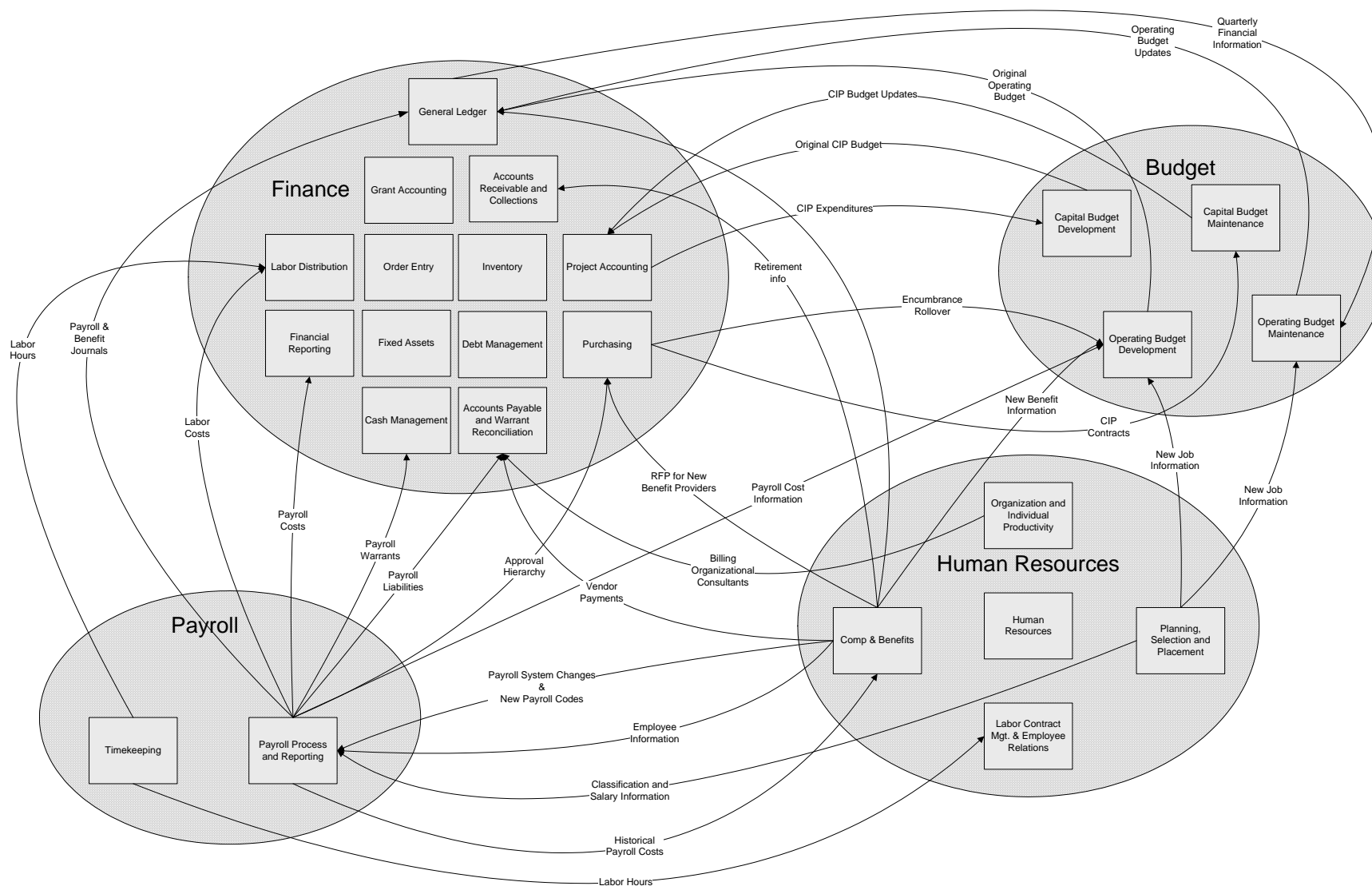
The team reviewed the flows between each of the business areas and the business functions within them to identify opportunities for improvement that might have been missed during the business area focus group sessions. The integration opportunities for each of the connected business areas are presented below.

a. **Payroll and Human Resources Integration Opportunities**

- **Better integration between hiring and payroll**. This improvement would provide a single point of entry for human resources/payroll data, provide more timely input of data, and streamline the workflow.

- **Eliminate the employee turnaround documents**. This improvement would provide more accurate information, more timely updates, less paperwork, and more processing efficiency.

- **Update human resources historical payroll information**. This improvement would provide more efficient processes, allow responses to litigation, improve data accuracy, and facilitate analysis.

- **Move to a single payroll cycle**. This improvement would eliminate the processing of two payroll cycles and consolidate associated business processes into a single process set across the county. In addition, it will eliminate the practice of estimating hours and pay employees based on actual hours worked, potentially reducing the number of adjustments

- **Implement consistent/standardized policies in labor contract**s. This improvement would reduce implementation costs systemwide and the time spent setting up and maintaining the human resources/payroll system to address labor contract language.

b. **Human Resources and Budget Integration Opportunities**

- **Automatically feed position changes into accounting, the position control system, and the budget processes**. This improvement would provide more consistent position budgeting and tracking and reduce effort evaluating and preparing the position budget. It would provide improved reports for vacancies, position budget and status, body of work, and Council requests.

- **Automate the body of work report and monitor it throughout the year**. This improvement would provide better monitoring of temporary employee status information and produce notifications when a temporary employee nears the established limit for evaluating the position for the body of work review.

- **Online updates for merit pay**. Merit pay is an increase in pay. OMB needs to be able to determine who is receiving merit pay and how much they are receiving. This improvement would reduce the labor intensive processes for merit pay and provide a consistent process for all employees. It would also provide merit information to budget and payroll.

c. **Finance and Human Resource Integration Opportunities**

- **Eliminate the position control process from the financial system**. This improvement would simplify the position control process through an integrated process between payroll, budget, and human resources.

d. **Budget and Payroll Integration Opportunities**

- **Improve access to payroll data by allowing users to initiate data selection**. This improvement would provide more timely and efficient access to data and eliminate the dependence on other organizations for data related to staffing levels, salaries, and positions during the budget development process.

e. **Finance and Payroll Integration Opportunities**

- **Ability to have one point of entry for recording labor to projects**. This improvement would permit single entry of data, allow visibility of labor costs, and provide more effective cost controls.

- **Consistent recording of details with summary in the general ledger and the detail in payroll**. This improvement would provide integrated information for reporting, allow the labor details to be stored once, simplify the interface between payroll and finance, facilitate reconciliation, and provide the ability to do timely corrections of errors.

f. **Finance and Budget Integration Opportunities**

- **Improve budget monitoring with better integration of budget and actual revenues and expenditures**. This would simplify reconciliations, provide better policy decisions, improve the ability to control available budget by providing greater visibility, and avoid double entry of data.

- **Consistent capital budgeting and monitoring**. This would improve the budget preparation system processes through more automated integration with the financial system and consistent setup and processing of capital budget loading and monitoring. It would provide tools to reduce redundant entry of budget data at various levels and times as well as establish a consistent budget process in the departments.

- **Support budgeting at appropriation and detail levels depending on agency needs**. This improvement would allow agencies to maintain a single budget that meets their needs, eliminate side systems, provide better control over projects through increased detail budget monitoring, allow the budget to be entered once, support the quarterly reports process, and support production of the budget.

3. Business Process Costs

The current costs for each business function were obtained through two agency surveys. The first survey gathered the operating costs countywide and identified operating costs specific to the business areas and systems included in this assessment. The second survey was conducted with the same departments to determine the operational costs for each business function. The costs presented in this chapter represent a compilation of both surveys. Cost elements included:

- **Employee FTE** – Employee FTE was obtained to determine how many people were involved in each business function. Separate FTE counts were requested for benefited employees and temporary employees so that the appropriate overhead rates could be applied.

- **Employee Labor Cost** – Employee labor cost was obtained to determine how much it cost to perform each business function. Separate labor costs were requested for benefited employees and temporary employees so that the appropriate overhead rates could be applied.

- **Overhead** – Overhead rates for benefited employees and temporary employees were computed by the OMB to apply to the FTE count for each business function. An average salary of $60,000 was used as a base. The overhead rates included the following overhead costs:

  - Federal tax percents.

  - PERS rate.

  - Flex rate for benefits.

  - ITS rate per FTE for Desktop computers, Email, and distributed computing.

  - Costs of bus passes.

  - Telephone.

  - Copier.

  - Printing.

  - Utilities.

  - Floor space.

The flex rate for benefits was not included in the rate for short-term and temporary employees. The rates used in the overhead calculation were $23,700 for benefited employees and $14,100 for temporary employees.

- **Department Administration** – In addition to the overhead rate, a factor for department administration was applied to the total cost. The departments provided an estimated department administration cost for each of the business areas. These costs were then prorated to each of the business functions based on the percentage of FTE reported for the function.

- **Technology Cost** – These costs were provided by the Technology Cost survey. The operating costs were identified by each major financial system (ARMS, IBIS, etc.) and for other systems providing human resource, payroll, finance, and budget support, and by agency (department or large divisions). The operating costs were allocated to each business function based on the percentage of FTEs reported for the function. Since the Human Resources and Payroll Business Areas both utilize the payroll systems, these total costs were allocated by combining the FTEs for these business areas.

The business process cost instructions and survey forms are included as Appendix H. This appendix also includes the Overhead Rate formula that resulted from analysis by the Office of Management and Budget and the project sponsors.

A summary of the costs from the surveys are presented in Exhibit II-2 and Exhibit II-3.

Exhibit II-2: Personnel and Operating Costs by Business Area

Business Area	FTE	Personnel Costs (000)	Operating costs (000)	Total (000)
Financials	405	30,922	3,163	34,085
Human Resources	278	27,156	1,363	28,519
Payroll	123	9,305	1,055	10,360
Budget	112	11,156	242	11,398
Total	**918**	**$78,539**	**$5,823**	**$84,362**

Exhibit II-3: Centralized and Decentralized Personnel Costs by Business Area

Business Area	Centralized		Decentralized		Total	
	FTE	**Costs (000)**	**FTE**	**Costs (000)**	**FTE**	**Costs (000)**
Financials	138	10,356	267	20,566	405	30,922
Human Resources	92	9,684	186*	17,472	278	27,156
Payroll	30	2,352	93	6,953	123	9,305
Budget	24	2,261	88	8,895	112	11,156
Total	**284**	**$24,653**	**634**	**$53,886**	**918**	**$78,539**

* This includes personnel for the Benefits and Operations Section because in the data collection approach these appear as decentralized staff. Future data collection efforts should reflect these as centralized staff.

B. Financials Business Area

The Financials Business Area includes those business processes and functions related to the financial accounting practices at the county. The financial functional areas covered by this project are:

- General ledger.
- Project accounting.
- Grant accounting.
- Purchasing.
- Accounts payable and warrants reconciliation.
- Accounts receivable and collections.
- Inventory.
- Order entry.
- Fixed assets.
- Cash management.
- Debt management.
- Labor distribution.
- Financial reporting.

The assessment in the Financials Business Area was conducted through five focus groups:
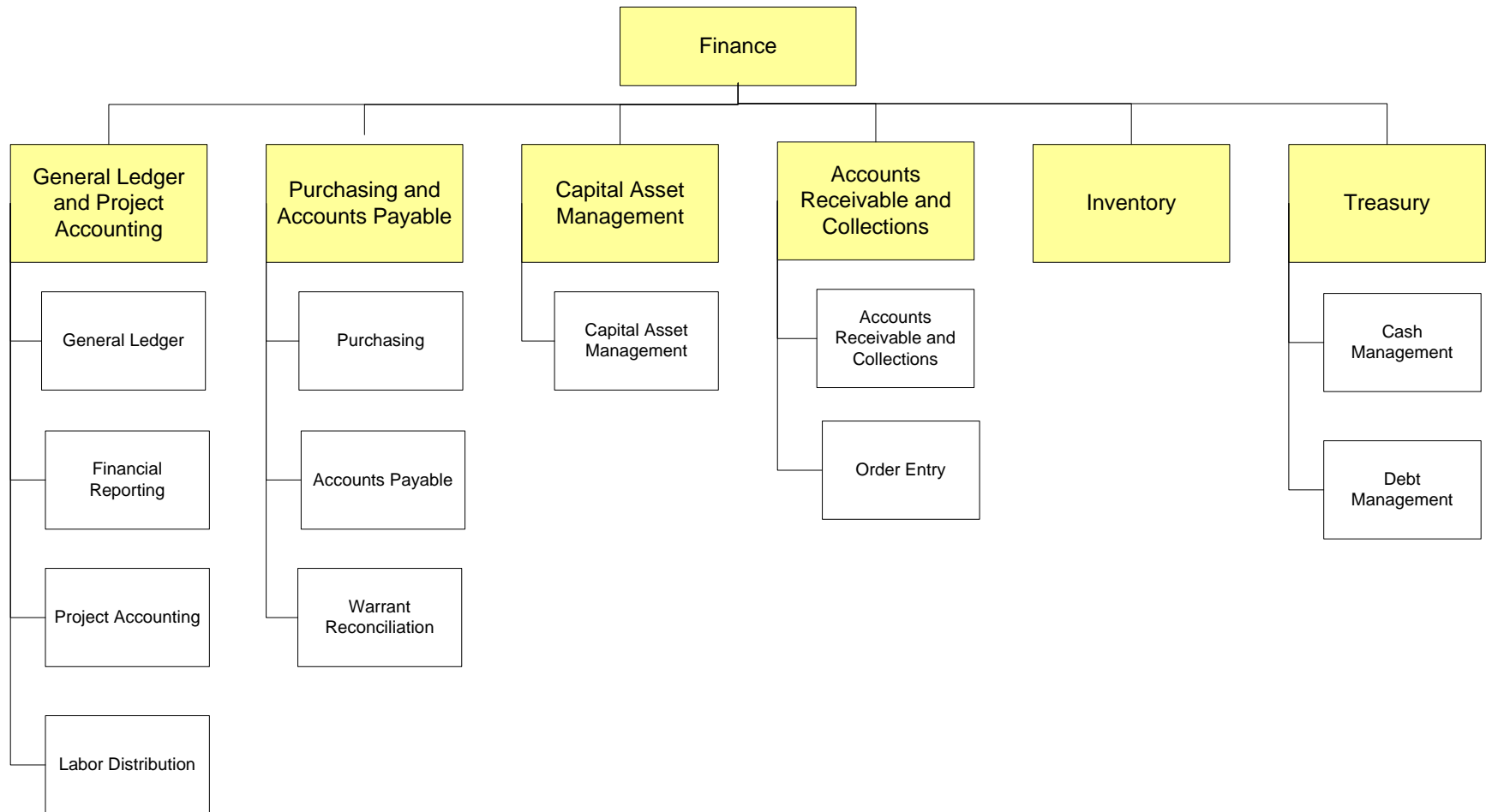
- General ledger and project accounting including labor distribution, grant accounting, and financial reporting.

- Purchasing, accounts payable, and warrant reconciliation.

- Capital assets.

- Accounts receivable and collections.

- Treasury including cash management and debt management.

The inventory and order entry business functions are agency specific. Separate interviews were conducted with the agencies that use these functions to assess the business processes and the opportunities.

1. High Level Process Documentation

Exhibit II-4: Finance Activity Decomposition illustrates the business processes included in the Financials Business Area. The Activity Decomposition Diagram is a hierarchical depiction of a business area's logical functions and processes. Business functions and processes are represented in a top down format, with each level showing more detail than the one above it. The business processes appear once at each level and are aggregated at higher levels by functionality. Detailed workflow diagrams for each business process are included in Appendix C.

Exhibit II-4: Finance Activity Decomposition

a. **General Ledger and Project Accounting**

The general ledger and project accounting area includes the general ledger, project accounting, grant management, labor distribution, and financial reporting business functions.

(1) General Ledger

The general ledger serves as a summarization and classification of financial transactions from all sources. These transactions, called journals, may represent actual, budget, and encumbrance amounts. A chart of accounts is used to define the operating structure for the organization. Journal transactions are summarized to create the general ledger. Financial statements may be produced from detail transactions or the summarized ledger. General ledger business processes include:

- Set up and maintain chart of accounts.

- Prepare manual transactions.

- Process manual transactions.

- Correct input errors.

- Establish and execute recurring journals.

- Establish and execute mass allocations.

- Process year-end.

(2) Financial Reporting

The financial reporting function prepares and distributes formal and ad hoc reports for internal management, reports required by external organizations (such as the State of Washington BARS report), and formal reports designed for public use (such as the Comprehensive Annual Financial Report [CAFR]). Financial reporting business processes include:

- Generation of management reports.

- Generation of financial reports.

(3) Project Accounting

Project accounting accumulates and reports detailed cost information for county projects and grants. The term project refers to a variety of activities including multiyear construction projects (capital projects) or ongoing program related activities (operating projects).

Projects may have multiple funding sources. The organizations work break-down structure for project activities is reflected as project attributes. Project accounting is used to track and manage actual project cost against management estimates and budgeted amounts. Closed capital projects may be capitalized to fixed assets. Project accounting business processes include:

- Setup and maintenance of project structure.

- Transaction processing.

- Project billing.

- Project reports.

(4) Labor Distribution

The labor distribution function applies labor, overhead, benefit, and equipment usage costs to general ledger and/or project account codes. Amounts may be distributed based on a pre-calculated rate or through an allocation process. Labor Distribution business processes include:

- Calculation of burden rates.

- Distribution of labor and application of burden rates.

- Allocation of paid time off, benefits, and indirect costs to projects.

(5) Grant Management

The grant management function oversees and coordinates the expenditures, reporting, and billing of activities and projects funded by external parties for specific purposes. Grants are most often funded by other governmental agencies such as the Federal Highway Administration (FHA). There is a close relationship between projects and grants. A project could be funded by multiple grants. Likewise, one grant may fund multiple projects. Grants have unique reporting requirements that are dictated by the terms of the grant award. Grant management activities are included in the following business processes:

- Setup and maintenance of chart of accounts.

- Setup and maintenance of project structure.

- Transaction processing.

- Project billing.

- Management reports.

- Financial reports.

b. Purchasing and Accounts Payable

The Purchasing and accounts payable functions support the acquisition of goods and services for the county from the identification of the need to purchase through the redemption of the payment warrant.

(1) Purchasing

Purchasing is the process through which goods and services are acquired to implement and support the county's programs. The purchasing process includes the receipt of goods and the payment of the vendor invoice. This process also includes the procurement and payment for contractual services. Purchasing processes include:

- Completing the requisition (Contract Services has record of contracts that are like purchase orders).

- Purchasing the item.

- Providing cost.

- Creating a purchase order.

- Encumbering the purchase.

- Providing the goods or services.

- Receiving the goods or services.

- Creating the invoice.

- Approving the invoice (ARMS).

- Processing the invoice.

- Creating the payment and relieve encumbrance.

- Reviewing/certifying payment register and sign.

- Depositing the warrant.

(2) Accounts Payable

The accounts payable process includes paying for goods and services. There is integration with the procurement process since information on the purchase order can be referenced by the payment transactions. This section focuses on payments related to direct purchase, employee reimbursement, and treasurer disbursements for districts. Accounts payable processes include:

- Creating voucher or expense claim form (direct pays only) or payment request.

- Approving invoice/voucher.

- Processing voucher.

- Creating payment.

- Reviewing/certifying payment register and sign.

- Depositing warrant.

- Producing 1099.

- Canceling/correcting.

(3) Warrant reconciliation

The warrant reconciliation process covers the payment for warrants once they are redeemed. This process at the county includes accounts payable and payroll warrants as well as those produced by the school districts. Warrant reconciliation processes include:

- Cash warrants.

- Acceptance of warrants for payment.

- Reconciliation of warrants.

c. Capital Asset Management

The capital asset management function is responsible for an organization's capital assets, supporting financial reporting to include depreciation and custodial reporting. Capital assets include land, buildings, furniture, machinery, vehicles, and infrastructure. Other physical property identified as "controllable" is also tracked for custodial reporting. Capital asset management business processes include:

- Maintaining asset record structures and accounting rules.

- Recording new asset into asset system.

- Recording transfers and dispositions.

- Generating and processing monthly depreciation.

- Conducting physical inventory.

- Increasing work-in-process asset amount in the capital project expenditures.

- Reclassifying completed assets.

- Generating fixed asset reports.

- Reconciling asset balances to general ledger.

d. Accounts Receivable and Collections

The accounts receivable and collections business function manages amounts owed to an organization. The objectives of this function are to establish the basis for billing, produce accurate invoices, receive payments in a timely manner, record, report, and monitor revenue, ensure adequate internal control, and be fiscally responsible to the public. Accounts receivable and collections business processes include:

- Requesting customer setup.

- Setting up and maintaining customer information.

- Preparing invoice.

- Processing trial billing.

- Processing invoice.

- Receiving payments.

- Responding to customer or agency inquiries.

- Generating and reviewing reports.

- Performing collections.

e. Cash Management, Debt Management, and Treasury

The cash management, debt management, and treasury function collects, receives, deposits, invests, and spends cash. The Treasury Division manages the cash and debt management functions. Treasury's goals include effectively and efficiently collecting taxes and fees, receiving cash and making investments as quickly as possible, and holding investments to maximize interest income. Debt management issues debt instruments (typically bonds), makes payments, and reports debt information. Treasury business processes include:

- Processing cash receipts.

- Managing investments.

- Allocating pool interest.

- Monitoring the ARMS / IBIS cash Interface.

- Processing EFT payments.

- Reconciling bank account.

- Preparing investment system reports.

- Preparing general ledger cash reports.

- Managing debt.

f. Inventory

The inventory function manages storeroom inventories required to maintain and repair county assets. Inventory management processes include:

- Maintaining inventory items.

- Ordering inventory.

- Recording inventory receipts.

- Issuing parts to assets or work orders.

- Recording inventory usage in the financial system.

- Performing inventory cycle counts.

g. Order Entry

The Order entry function records sales transactions so they can be billed through accounts receivable. Order entry business processes include:

- Entering transit fare media sales.

- Entering transit warranty claims.

2. Centralized vs. Decentralized Processing Methods

Exhibit II-5: The Financials Business Area has a mix of centralized and decentralized business processes. Few business processes are standard across the county. Differences in business processes are the result of different systems, unique agency requirements, mandated policies, and historical practices.

The reasons for a business process being centralized or decentralized can be summarized as:

- Practices were adopted based on the systems as they were implemented.

- Processes have evolved over time.

- Processes have changed to reflect management styles and priorities.

- Changes have been implemented to address internal and external mandates and policies.

- Differences in processes throughout the county are a result of the merger.

Exhibit II-5: Centralized vs. Decentralized Business Processes

Function/Process	Agency Type	Centralized	Mixed	Decentralized
General Ledger	ARMS	✓		
	IBIS	✓		
Financial Reporting	ARMS	✓		
	IBIS	✓		
Project Accounting	ARMS			✓
	IBIS			✓
Labor Distribution	ARMS			✓
	IBIS		✓	
Grant Management	ARMS			✓
	IBIS			✓
Purchasing	ADPICS/ARMS	✓		
	IBIS			✓
Accounts Payable	ARMS/BUC			✓
	IBIS		✓	
Warrant Reconciliation		✓		
Capital Asset Management	IVIS		✓	
Accounts Receivable and Collections	ARMS/AIRS		✓	
	IBIS		✓	
Cash Management	ARMS	✓		
	IBIS	✓		
Inventory	ARMS			✓
	IBIS			✓
Order Entry	IBIS			✓

a. **General Ledger**

The general ledger function is primarily centralized. In ARMS, agencies prepare data entry forms and send them to central finance for batch entry. In IBIS, agencies can enter and edit data online. For either system, agencies may initiate changes to the chart of accounts. Central finance manages most financial processes including posting transactions, recurring journal entries, allocations, and month-end/year-end closing. A centralized general ledger function is typical for most organizations.

b. Financial Reporting

Financial reporting is primarily centralized. Central accounting produces most management and external financial reports. ARMS produces some standard printed reports. New standard reports or changes to existing reports require programmer intervention. Agencies are able to view ARMS transactions from the Eagle Server via web reports, or download data to create their own management report. In IBIS, agencies may run standard Oracle reports or use Business Objects to produce reports.

ARMS reporting is centralized due, in part, to technical limitations. ARMS data is not in a format that can be easily extracted. The Eagle server provides easy access to some financial data. Only thirty three reports have been deployed to date. IBIS data resides in an Oracle database that should provide easier access to data; however, few users have the training and expertise necessary to access data through the Business Objects Report writer. A small, limited number of IBIS reports are available on the Web. IBIS reporting remains primarily centralized.

c. Project Accounting

The project accounting function is primarily decentralized. Agencies initiate most processes with the basic project cost data stored centrally in ARMS and IBIS. Agency side systems handle most of the operational and reporting tasks.

Project accounting is decentralized due to the unique nature of projects in different agencies and limitations with the current project accounting systems. Agencies maintain side systems to meet their project accounting needs.

d. Labor Distribution

In ARMS, labor distribution is primarily decentralized. Agencies create burden rates for labor distribution and Finance enters the amounts into the system. The Health Department is one exception; they use an ARMS allocation process to distribute labor costs. IBIS is somewhat more centralized. Labor distribution is accomplished through a mass allocation; agencies do not calculate burden rates.

The current model is the result of the capabilities of the software supporting each agency's financial processes. ARMS agencies are more decentralized because ARMS requires the agencies to set up burden rates.

e. **Grant Management**

The grant management function is primarily decentralized. Agencies perform billing and create management and external reports for grantors. Grant management is decentralized because neither ARMS nor IBIS provide adequate support for the county's grant accounting needs.

f. **Purchasing**

In both ARMS and IBIS, the request to purchase starts with the department. Also in both cases, with a few exceptions, the actual purchasing process is completed centrally. A key difference between the ARMS/ADPICS process and the IBIS process is the departments' ability to enter requisitions online and perform an electronic approval.

In addition, there is a key difference in the receipt of goods and the associated payment process. IBIS supports an electronic three-way match. Departments enter the receipt of goods into the system. Invoices for purchase orders and contracts are sent to the central accounts payable group where they are keyed and matched to the purchase order and the goods. If everything matches, a payment is generated. In ARMS, the three-way match is a manual process. Invoices are sent to the departments where they prepare a voucher as an approval for payment.

g. **Accounts Payable**

The accounts payable process is predominantly centralized. Except for the IBIS purchase order payments mentioned above, most vouchers originate at the department based on vendor invoices or other documentation. Most processing occurs in the central accounts payable units.

h. **Warrant Reconciliation**

The warrant reconciliation process is fully centralized. There is little if any department involvement in this process.

i. **Capital Asset Management**

The Capital Asset Management function is primarily centralized. All non-infrastructure assets are recorded in the IVIS system. Agencies request changes to asset records through a turn around document. The Fleet and Personal Property Section manages assets using the IVIS system. They are responsible for all aspects of asset maintenance including set up, depreciation calculations, and asset disposal. Roads and Water and Land Resources (WLRD) each maintain a database of infrastructure asset detail records which are used for GASB 34 reporting.

j. Accounts Receivable and Collections

The accounts receivable and collections function is somewhat centralized. Treasury and Central Finance perform the core accounts receivable and collections processes for most agencies. The county has two separate cash desks for accounts receivable. The Treasury cash desk manages IBIS payments while the Central Finance cash desk manages AIRS payments.

Agencies provide customer information and amounts to be billed. ARMS agencies complete paper data entry forms to initiate customer maintenance and to create billing transactions. Central Finance performs all AIRS data entry functions. Some AIRS agencies have automated interfaces for billing data. In IBIS, most agencies submit a billing certification form to initiate customer setup. For both AIRS and IBIS, invoice preparation is coordinated centrally. However, some agencies manually assemble and distribute invoices. IBIS invoice printing and mailing is outsourced. An outside collection agency handles delinquent accounts.

The Wastewater Treatment Division's (WTD) Capacity charge billing is decentralized. WTD took responsibility for this function two years ago to better address complex customer service issues related to this particular billing.

k. Cash Management, Debt Management, and Treasury

The cash management, debt management, and treasury function is primarily centralized. The county treasurer handles most cash and investment activity and all debt management activities. There are some special districts that continue to manage their own investments, but this number has been declining over time as districts recognize the time savings and increase in investment income provided by a centralized treasury function.

l. Inventory

The inventory management function is decentralized. Agencies are responsible for managing inventory orders, receipts, and cycle counts. The IBIS application includes an inventory module with no maintenance management capabilities. IBIS agencies with separate inventory systems (such as Wastewater and Transit) maintain inventory items in agency MMS applications and IBIS. ARMS does not include an inventory module. ARMS agencies enter summarized inventory transactions in the ARMS general ledger.

m. Order Entry

The order entry function is decentralized. Transit enters all warranty claim and fare media sales transactions in IBIS. Order entry data is centralized in the IBIS system.

3. Process Efficiencies, Process Gaps and Process Inefficiencies

Dye Management Group, Inc. conducted a series of focus groups and interviews to identify the strengths, weaknesses, and opportunities in the county's current business operations model.

a. General Ledger and Project Accounting

Agencies, Central Finance, and to some extent, the OMB play a role in General Ledger and Project Accounting Business Processes. The county has two distinct sets of business processes resulting from having two separate central accounting systems, ARMS and IBIS. Most ARMS processes involve paper forms, keyed data entry, and overnight batch processes. Most IBIS processes involve distributed data entry with online edits and online, real time posting processes. These two applications are not integrated, do not share a common chart of accounts, and operate on different accounting calendars.

Additional findings for General Ledger and Project Accounting include:

- **Maintaining two financial systems increases complexity and costs —** Maintaining two financial systems (ARMS and IBIS) results in additional work spent maintaining interfaces, reconciling data, and reporting countywide information.

- **Providing a countywide view of financial information is difficult —** Financial data is in two separate systems with different accounting periods.

- **Some Agencies use two separate financial systems —** Agencies may use ARMS exclusively, IBIS exclusively, or a combination of both ARMS and IBIS. Agencies using both ARMS and IBIS are sometimes referred to as "straddle agencies."

- **ARMS Updates are done through paper forms and keyed data entry —** ARMS agencies must complete paper documents when creating new chart of accounts values or ARMS transactions (for example, journal entries). Paper documents are then sent to Finance for data entry and processing. There is a minimum one-day turnaround for all ARMS activity; ARMS transactions are posted in overnight batch jobs.

- **IBIS Updates are entered, edited, and posted online —** IBIS updates may be entered, edited, and posted online, real time.

- **Document routing increases cycle time for ARMS transactions —** Paper documents are often hand-carried from person to person to expedite processing. Some agencies use a courier service for delivering paperwork.

- **Inconsistent document management policies make it difficult to locate source documents** – Document storage procedures vary from agency to agency. There is no consistent document storage policy resulting in time spent searching in multiple locations for original documents.

- **Internal control procedures vary from agency to agency ─** Controls vary on interfund transfer transactions. In some cases, signatures from both agencies are required. In other cases, pre-existing agreements override the dual signature requirement. Procedures vary from agency to agency.

- **Labor accruals are done differently in ARMS and IBIS ─** In IBIS, labor accruals are done based on actual amounts rather than an estimated amount and cannot be processed until labor is posted. Month-end closing can be 3 weeks into the following month. Month-end is delayed for all, waiting for PeopleSoft payroll to post. ARMS accruals are based on estimated time.

- **Management Reporting is complex and time-consuming ─** For IBIS, Business Objects reports must be reconciled back to General Ledger totals to ensure reported amounts are correct. IBIS Web reporting is limited and Web reports cannot be downloaded; project managers re-key report information into Excel. IBIS provides many canned reports but some are outdated. Changes to ARMS reports require programmer or computer operator intervention. There are severe limitations on reporting countywide information due to having two separate financial systems.

- **IBIS data is re-keyed into ARMS for external financial reporting ─** External financial reporting is done primarily through the ARMS system. IBIS data is re-keyed into ARMS in summary format to produce financial statements. Washington State BARS reporting is difficult; a crosswalk is used to translate ARMS data into BARS codes.

- **ARMS and IBIS have significant year-end processing differences ─** ARMS uses periods 13 and 14 for year-end adjustments. All year-end adjustments in IBIS are posted to period 12 (IBIS does not have adjustment periods).

- **Both ARMS and IBIS lack needed Project Accounting Information ─** Some project information such as location, comments, and project manager is tracked in subsystems. Agencies would like to maintain this information in the project accounting system.

- **In IBIS, hierarchies are used to tie appropriations to projects ─** In IBIS, project appropriations are tied to a master project. In some cases, projects are linked to the wrong appropriation project causing a hierarchy maintenance issue.

- **The county has multiple methods for distributing labor costs** — IBIS distributes actual labor and overhead costs through a mass allocation. ARMS uses burden rates to distribute overhead. Public Health uses a custom process in ARMS that is similar to a mass allocation. The Public Health distribution process is a federal reporting requirement.

- **Labor distribution rates are modified at least once per year** — Labor distribution rates can be modified monthly, but are normally updated once a year, if at all. Some agencies would like tools to help them monitor and adjust rates more frequently.

- **Labor information is not timely** — Actual labor information is only available twice a month after payroll processes. Agencies would like more timely labor information.

- **Work authorizations used for project billing are complicated** — It is difficult to correct errors. Year-end and month-end processing is complex. It is difficult to perform billing between ARMS and IBIS agencies. Error correction is difficult. ARMS creates summary bills only and many agencies manually attach detail reports to the summary bill.

- **Agencies use side-systems to manage grants** — Neither ARMS nor IBIS contain the information needed to manage grants. Agencies keep side-systems to track statistical information, CFDA numbers, and grant billing history. Agencies bill grants manually to meet requirement imposed by the grantor. Agencies reconcile side-systems with IBIS or ARMS.

- **ARMS does not support labor distribution to a grant** — In ARMS, Grant funded agencies cannot distribute individual time to a grant, they can only charge to the project level. There are typically many grants funding a single project. Most grantors require labor details by grant; agencies are using spreadsheets to meet grantor requirements.

- **ARMS lacks information required for grantor billing** — Grantor billing is cumbersome. ARMS does not contain all information required for billing. It is difficult to move a grant recipient to a new grant (for example, from one job training program to another). Grantor billings must be manually adjusted.

- **ARMS does not provide adequate capabilities for grant management** — IBIS is somewhat better in that it has a separate grant chart of accounts element which allows expenditures and revenues to be tied to both a project and a grant. Some agencies have stopped using ARMS Project Accounting and are using spreadsheet programs instead.

b. Purchasing and Accounts Payable

The purchasing and payment processes require coordination between the Procurement and Contract Services Section, Accounts Payable, and the departments. The findings for this business area are presented for each of the primary processes: purchasing, accounts payable, and warrant reconciliation.

(1) Purchasing

Purchasing processes and authority vary depending on the type of purchase and the amount. Key findings for the purchasing business function include:

- **There are two significantly different purchasing processes related to the systems that support the process**.

  - **ADPICS procurement is centralized ▬** The ADPICS system supports the procurement process for non-IBIS agencies. The system is fully centralized. Some agencies have "view only" rights. These agencies could be given access.

  - **IBIS procurement is more decentralized ▬** IBIS procurement allows the agencies to enter requisitions online to start the procurement process. It also provides electronic approval routing and online queries as to status of purchases.

- **There are two significantly different accounting processes related to the systems that support the purchasing process**.

  - **ADPICS is not integrated with the financial system (ARMS) ▬** These purchases orders are manually entered into BUC Accounts Payable system which interfaces transactions to ARMS to record the encumbrance.

  - **IBIS does not record encumbrances ▬** IBIS is an integrated process. However, encumbrances are not recorded in IBIS. Encumbering is a common governmental accounting practice to record budget commitments. However, it is not a GAAP requirement. Encumbrances are reported in year-end budgetary based financial statements.

  - **The county requires a three-way match to initiate payments ▬** There are two significantly different receiving processes related to the systems that support the purchasing process. Both processes use a three-way match (purchase order to receipt of goods to invoice) to initiate the payment process.

- **The ADPICS/ARMS three-way match process is manual —** ADPICS has the ability to perform a three-way match but it is not used. It is not integrated with the financial system (ARMS).

- **IBIS three-way match is automated —** IBIS is an integrated process. Receipt of goods is entered into IBIS by the receiving agency. When the invoice is entered (centrally), the system performs the three-way match. IBIS does two-way match for services based on invoice.

- **Some departments have unique purchasing processes —** Unique purchasing processes in the departments create information gaps:

  - In Roads, individual purchases are issued an internal tracking number from the blanket PO (draw down). They need to match the purchase to the invoices to know who purchased the item (work/crew) and to determine project information before payment by the financial system. This is a manual process. IBIS supports this process.

  - Roads also has a field order process to track purchases of gravel and other materials. This process is partially automated and is integrated with the financial systems. Expenses are recorded on receipt of the product. This is another example of an outside process, similar to an IBIS process.

  - IBIS provides a draw down method for a broad range of commodities under a single purchase order. The process does not provide a method for the buyer to know what and how much was purchased. That information is only available by researching accounts payable records.

  - Contracts and execution of contracts do not always lead to the creation of purchase orders in IBIS. Contract information may not have been set up in IBIS.

- **Some agency systems trigger purchase orders —** These are primarily related to the IBIS procurement process and include maintenance management systems MP3, Mainsaver, and M4.

- **Some departments are authorized to purchase without going through PSD —** These primarily include specialized commodities such as chemicals for wastewater treatment.

(2) Accounts Payable

Accounts payable processes and authority vary depending on the type of purchase. Payment for purchase orders, construction contracts, services, and direct payments each follow unique processes and rules. Key findings for the purchasing business function include:

- **There are inconsistent processes for invoices** — Some vendors are instructed to send invoices to the department purchasing the goods or services (ARMS) while others send the invoices to central accounts payable (IBIS).

- **Retention of Accounts Payable invoice documents is inconsistent** — Departments that use the decentralized invoice process keep the original invoice, or a copy, and forward the invoice to central Accounts Payable, which also files a copy.

- **Various forms of backup documents may be used to create a voucher** — Not all purchases have an invoice but have other forms of backup documentation (employee expense form, contractor payments).

    − Contractors are paid based on progress and materials used as determined by the project manager.

    − Some agencies, including Roads, have in-house construction contract management systems. These systems produce the payment voucher that must then be keyed into the payment system.

- **Central accounts payable has no visibility of invoices which are in the agencies awaiting payment (ARMS)** — Vendors call central Accounts Payable for information. Accounts Payable does not have the payment information unless it has been submitted by the department for payment.

- **The ARMS payment process is labor intensive** — Agency prepares paper voucher request forms. Form goes to central Accounts Payable to be batched. Data Entry enters vouchers into ARMS. There is no online entry capability for accounts payable. If the agency could enter the document into the system with edit checks, it could save time.

- **Some agency systems create payment vouchers** — Some agencies have systems to prepare the payment voucher. These are then interfaced for payment. These include:

    − Property Tax refunds.

    − Jury Payments.

    − Witness Fees.

- Election worker and Poll Payments.

- County Fair payments.

- Worker's Compensation.

- Payroll Agency payments.

- P-Card.

- Vet payment.

- Guardian Ad Litem (GAL).

- **Payments with the same vendor and the same due date are combined —** If special handling is needed (such as adding an insert) it must be indicated before payment is made. It is very difficult to create separate payments. Accounts Payable usually needs to hold all other payments for that vendor for one day so the special payment needs can be accommodated (reassign due dates). This is not possible in ARMS for vendors with a high volume of payments. IBIS provides a flag to issue a separate warrant.

- **Neither ARMS nor IBIS accept electronic invoices —** The County does not have the ability to accept electronic invoices from the vendors. (Telephone charges sent to ITS in detail for distribution of charges but the invoice is paid at the summary level using a paper document).

- **The invoice approval process may delay payments —** Invoice approval processes within the agencies can impact the timeliness of the payment.

- **Fixed asset coding may delay payments —** The need to code asset characteristics for purchased assets that must be posted to the fixed assets system can delay the payment.

- **Systems do not adequately support wire transfer payments —** Wire transfers allow for exact timing of payments, but are limited to certain types of payments. Wire transfers are heavily used by DCHS Mental Health to pay providers. They are also used for prepaid health care plans and for payments with a time constraint such as real estate transactions and court ordered payments. The system processes do not support this payment method well:

  - Encumbrances are not liquidated.

  - 1099 information is not recorded.

  - There is a lack of audit trail.

  - Accounts Payable does not have adequate oversight, which can lead to an understatement of payments in ARMS.

    −   There may be timing differences between the cash transfer and recording the event in the financial system. This adds to the cash reconciliation effort.

IBIS process has a method to identify wire transfers but the voucher process and the payment process are still independent.

- **Warrant cancellation process is complex —** Manual and warrant cancellations require significant manual processing and reconciliation.

- **P-card pilot has identified some accounting and 1099 reporting issues —** P-cards are in the test stage with one agency. Recording the charges to the correct account and project requires significant effort. Also, the 1099 process requires reporting the purchase to the vendor from whom the item was purchased. The P-card information does not always include this level of detail.

- **Unclaimed property reporting uses Accounts Payable information —** Unclaimed property reporting requires a tie between warrant information and the original accounts payable information.

(3) Warrant Reconciliation

The warrant reconciliation process is primarily centralized. It includes warrants issued by all warrant systems plus those issued by the school districts. Key findings for the purchasing business function include:

- **Accounts Payable is responsible for warrant reconciliation —** Warrant reconciliation is processed by the Accounts Payable group although it encompasses warrants for accounts payable, both payroll systems, and school districts.

- **There are two warrant reconciliation processes —** IBIS warrant reconciliation is processed through an IBIS process. All others are processed through the legacy warrant reconciliation system.

- **A side system is used to reissue warrants —** Duplicate warrants must be issued with the original warrant number. However, preprinted forms have a unique MICR number. Warrant number does not match MICR number. The accounts payable system (BUC) will not reissue same warrant number. As a result, the county used a side-system to print reissued warrants. This requires additional work and reconciliations. There is a large volume of duplicate warrants issued.

c. **Capital Asset Management**

Agencies, Central Finance, and Fleet-Property Services all play a role in the Capital Asset Management Business Processes.

Additional findings for Capital Asset Management include:

- **IVIS supports basic fixed asset accounting needs** — The county's fixed asset system, IVIS, meets most of the county's current needs.

- **The county's asset capitalization threshold is low** — The county's current asset capitalization threshold is $1,000. There are some assets (weapons, cell phones, computers, etc.) that are capitalized irrespective of the purchase price. Some of the capitalization requirements are written into the King County code. All assets, except Road Services Division (Roads) and Water and Land Resources (WLRD) infrastructure assets, are recorded in the IVIS system.

- **Infrastructure assets are in agency systems** — All assets, except Road Services Division (Roads) and Water and Land Resources (WLRD) infrastructure assets, are recorded in the IVIS system.

- **IVIS includes non-capitalized assets** — Some non-capitalized assets are maintained in IVIS under a separate company.

- **IVIS does not adequately support grant-funded assets** — Grant assets are recorded at least twice in IVIS: once as the primary asset record and then once for each funding source in a separate company.

- **IBIS asset purchases are manually entered in IVIS** — There is no integration between IVIS and the IBIS system. Assets purchased through IBIS Accounts Payable are manually entered into IBIS from paper forms. IBIS does not capture the information needed to create an asset record.

- **Assets purchased through ARMS are sent to IVIS via an interface** — ARMS accounts payable requires asset information prior to making payments, which can delay vendor payments. Land purchases are not fully integrated between ARMS and IVIS because they are usually paid via a wire transfer. Wire transfers recorded in ARMS do not flow through to Accounts Payable. ARMS wire transfers do not include asset information that is interfaced to the Fixed Asset system

- **Some Agencies use side-systems to track additional asset information** — There are no interfaces between ARMS and agency maintenance and work management systems (Faster, M3, Maximo, etc.). Asset information is manually entered into these systems. Agency systems do not maintain financial information. Assets are in these systems to record maintenance and usage information.

- **Current county policy does not address asset disposition** — Service fees and other charges related to asset disposition are treated inconsistently. In

most cases they are booked as a reduction in the disposition amount. There is no countywide policy on how to handle these fees.

- **Asset trade-ins are handled inconsistently** — When an asset is traded for another asset, trade-in amounts are often not reported correctly. The trade-in amount should be treated as a disposition of the original asset. Instead, the trade-in amount is usually treated as a reduction in the new asset cost.

- **Non-infrastructure assets use straight-line depreciation** — The county uses straight-line depreciation on all non-infrastructure assets. The IVIS system supports several depreciation methods.

- **The county uses both the modified approach and depreciation approach for infrastructure assets** — The Roads Services Division uses the Modified Approach under GASB34 for recording infrastructure assets. The Modified Approach allows the county to treat infrastructure as inexhaustible assets, eliminating the need for depreciation. Under the Modified Approach, the county must demonstrate that infrastructure assets are maintained at a condition to justify this treatment. Water and Land Resources uses the depreciation method.

- **Annual asset physical inventory process is manual and time-consuming** — The county conducts a physical inventory of all assets each year beginning in October. The inventory process takes six months to complete. Fixed asset tags include bar codes, but the inventory process is manual. The process is time consuming and difficult; assets are in many locations.

- **ARMS CIP projects are manually reviewed** — ARMS records CIP project costs as either a new capital asset or a preservation of an existing asset. The county manually reviews each asset record from ARMS Work in Progress (WIP) to be sure it should have been capitalized.

- **IVIS reporting is limited** — IVIS creates printed reports. There are two report writers available in IVIS. These report writers are difficult to learn and not widely used.

- **Asset activity reports are needed** — Fleet and Personnel Property would like asset statistical and activity reports such as data entry by user, number of new asset records, or data entry by transaction type.

- **Asset impairment reporting will be required in 2005** — Beginning with the 2005 CAFR, the county will be required to report asset impairment and insurance recoveries (GASB 42).

d. Accounts Receivable and Collections

King County bills internal and external customers for a broad variety of services including property taxes, court fees, wastewater services, county records, transportation projects, telecommunications, information technology services, and grants. There are few consistent accounts receivable and billing business processes among agencies (although within each agency's billing process, there are consistent practices). Some agencies bill using their own systems, others use AIRS or IBIS. Additional findings include:

- **AIRS billing requires complete customer setup prior to recording billable charges** — For interdepartmental billing, customer setup can be delayed waiting for account coding information from account being billed. Information is generally received via e-mail or a phone call. AIRS cannot bill project costs collected before the customer setup; this is a big problem for Roads.

- **Customer and Billing information is duplicated in agency systems** — Customer and billing information resides in the central AR systems and is often duplicated in agency systems. Manual processes are used to move financial information to ARMS.

- **Agencies have significantly different billing processes** — There is redundant data entry for customer and billing information. Agencies use different forms and terminology. Some terms have different meanings depending on the agency, increasing the likelihood of data collection or input errors.

- **Processing a customer payment for multiple bills is complex** — Customers may send a single check for payment of multiple bills from separate agencies. These are difficult to process.

- **Solid Waste customer setup is automatically interfaced to ARMS** — Solid Waste has their own cashiering system; customers are set up through an automated interface to AIRS.

- **IBIS billing does not include past due amounts** — IBIS does not have the ability to print past due amounts on invoices and does not generate statements showing past due amounts. This is problematic, especially for Capacity Charge Billing.

- **Bill assembly is a manual, time-consuming process** — AIRS invoices may be sent back to agencies to be matched to supporting billing detail reports. Assembling these bills is a manual, time-consuming process. For example, telephone billing has hundreds of customers with multiple invoices. Invoice preparation requires three full-time equivalents (FTEs).

- **The county's Accounts Receivable systems do not support electronic billing —** The county does not have the ability to generate electronic invoices or to receive electronic payments directly into the receivable system. Some customers (Seattle King County Housing Authority) have requested electronic bills.

- **Paper copies of invoices are kept for seven years —** AIRS does not have the ability to reprint invoices; the required information is not retained. Agencies keep paper copies of invoices for seven years.

- **Having two separate accounting calendars complicates billing —** ARMS bills 13th and 14th period amounts in January and February. IBIS does not have 13th and 14th periods. This complicates year-end interdepartmental billing when the General Ledger and Accounts Receivable systems do not have the same accounting calendar.

- **AIRS does not contain adequate customer information —** AIRS does not contain all the information customers would like to see on their bills.

- **AIRS is interfaced with ARMS for project billing**.

- **AIRS trial billing allows agencies to make corrections prior to printing invoices —** AIRS has a trial billing process which provides an opportunity to balance and make corrections. AIRS adjustments are done through a batch process; the entire invoice must be adjusted. Adjustment amounts must be manually calculated.

- **IBIS Accounts Receivable supports online updates —** IBIS invoice adjustments can be done online by line item or for the entire invoice.

- **Most payments are deposited within one day of receipt —** The county is required to deposit all payments within 24 hours of receipt (required by RCW).

- **In IBIS missing remittance advices delay payment posting —** In IBIS, if the payment stub or remittance advice is missing, the county must reprint the invoice to process the payment. This delays the posting process.

- **Payment service remittances are processed manually —** Payments from payment services (for example, pay by phone or online bill payment services) must be processed manually. The paying agent (usually a bank) does not send remittance advices.

- **Accounts Payable and Accounts Receivable information is not integrated —** In some cases, the county would like to hold a vendor payment when an outstanding receivable exists for the same individual or organization.

- **The county accepts some credit card payments** — The county accepts credit card payments for some amounts owed. RCW regulates the handling for credit card processing fees. For tax and Court imposed fines, any fee must be passed onto the customer. For other payments, the county has the option of passing the fee on to the customer or absorbing the cost. Finance Director approval is required for fees passed onto customers. Council approval is required for fees absorbed by the county.

- **Capacity Charge billing is complex** — For Capacity Charge billing, all customer invoices are created when the account is set up. Any changes to the customer billing information require all bills to be deleted and recreated. When Capacity Charge customers pay off their entire bill early, all future dated invoices must be deleted.

- **AIRS can only accept one payment per invoice** — Payments for multiple invoices are processed manually. IBIS payments are processed by the remittance processing system and can be any combination of payments and bills.

- **Warranty claims payments may be for many invoices** — Warranty claims issues one invoice for each claim. A single warranty claim payment may cover hundreds of individual IBIS invoices.

- **Each Accounts Receivable system has a separate cash desk** — For AIRS, the cash desk is located in Accounts Receivable. For IBIS, the cash desk is located in Treasury.

- **There is no single source for Accounts Receivable and Billing information** — Customers may need to make multiple calls within the county to get desired information on county issued invoices. Roads may need to refer customers to the work crew when billed amounts are disputed.

- **Bill retention policies vary by agency** — There is no consistency in bill retention; it may be difficult to locate the original bill.

- **AIRS produces printed reports only** — All AIRS reports are paper; agencies would like information in an electronic format.

- **ARMS billing detail can be downloaded** — Billing detail is available through ARMS in electronic format.

- **Current invoice formats do not meet agency needs** — Agencies would like more formatting options to provide better information to customers.

- **Agencies handle returned checks** — Returned Checks (NSF, account closed, etc.) are sent to the agency for collection. These are generally handled as a separate collection item.

- **Bankruptcy notification is not timely ─** Agencies need more timely notification of bankruptcy proceedings. Accounts where the customer is in bankruptcy require special handling. There are legal constraints on actions the county can take against these accounts. Bankruptcy information needs to be coordinated among county agencies.

- **Delinquent accounts are sent to a collection agency ─** The county refers delinquent accounts to an outside collection agency after 30 days. Some agencies attempt to make collections before the account is referred. Capacity Charge bills do not normally go to a collection agency. Wastewater can issue property liens to enforce collections.

- **The county does not have a standard dunning letter procedure ─** The county does not use the dunning letter capabilities in the IBIS system. AIRS does not produce dunning letters.

- **Uncollectible amounts are written off only when required by statute ─** Accounts are not written off when sent to a collection agency; write-offs are done when required by statute.

- **AIRS and IBIS do not contain all items in collection ─** There are some collection items that are not in AIRS or IBIS (for example, NSF checks). They are sent through a manual process.

e. **Cash Management, Debt Management, and Treasury**

The Treasury Division is responsible for managing the county's cash, debt, and investments. Having two separate accounting systems creates problems for bank reconciliation; there is much effort and monitoring required to keep systems in balance. Similarly, the interface between the Property Tax Billing System (PBS) and ARMS requires constant oversight. No issues were identified for Debt Management. Additional findings include:

- **Having two systems creates problems for bank reconciliation ─** Treasury reconciles ARMS cash balances daily. A large portion of the bank reconciliation process ignores cash out of balance in IBIS. Treasury writes journal entries in both systems to keep them in balance. The interface between ARMS and IBIS must be monitored.

- **Consistent reconciliation procedures are lacking ─** The County has approximately 390 bank accounts (these are not all deposit accounts). The County has 27 warrant accounts. Agencies are responsible for reconciling their own accounts but there is no efficient oversight for this process.

- **The Property Tax Billing System /ARMS interface is difficult to monitor and support ─** Property tax billing brings in the greatest revenue to county and local jurisdictions (approximately 2.5 billion annually). The interface between ARMS (property tax interface) and the PBS is critical. It

is difficult to prevent errors in this interface; Treasury uses system reports to help identify problems. It is difficult to correct problems. Reports with a combination of PBS and ARMS information are needed. Managing and reconciling this interface requires almost one full time position.

- **For the Property Tax Billing System (PBS) and related ARMS interface there is a lack of institutional knowledge** — This will get worse as employees with this knowledge are nearing retirement. There are just a few people with functional knowledge of the application and no single ITS analyst that understands the entire system. No one has in-depth knowledge of how they fit together. The Assessor's Office is planning to replace the property tax system (the first step will be a Quantifiable Business Case) in the next six months.

- **Remittance processing equipment is not used for all invoices** — The county has automated remittance-processing equipment, which is used for all deposits and for posting payments to some receivable systems. Not all county-issued invoices have magnetic coding on the remittance advice; these cannot be scanned.

- **It is difficult to map District Court payments to ARMS** — District Courts use a state run system, DISCIS, which uses BARS coding rather than county account codes. Research is needed to map these payments for King County ARMS codes. All Courts payments are received through the state system. The state system cannot be modified to meet the county's accounting requirements.

- **Investments are recorded at market value in the CAFR** — For Long Term Debt, the county's investment system reports on cost basis while the CAFR uses market value. Investment reports need to be improved to show market value. There is a need to pick up fair market value in ARMS at end of year.

- **Investment gains and losses are posted to ARMS** — The investment system calculates gains and losses and passes that information to ARMS

- **The investment income allocation requires manual intervention for negative cash balances** — The investment system calculates average daily cash balances by district based on a download of cash transactions from ARMS. The average daily cash balance is used to allocate interest income. The allocation process does not handle negative balances corrected; these must be manually adjusted.

- **Agencies need more timely notification of Bankruptcy proceedings** — Accounts where the customer is in bankruptcy require special handling. There are legal constraints on actions the county can take against these accounts. Bankruptcy information needs to be coordinated among county agencies.

- **Online bank information is needed at some locations** — Districts need access to information such as online cash balances.

- **ARMS cash transaction processing is complex —** Most cash transactions are done in batch through ARMS. Errors cannot be corrected until the next day. The data entry rules are complex; it takes a year to train someone new. It is difficult to find people that want to do this type of work. Agencies would prefer to enter a transaction where it originates with centralized processing.

- **Paper-based documents are difficult to locate and not completely secured —** There is a need for imaging and document management for many finance functions. NSF research is difficult and paper-based. Unless files are sent to records management, they are most likely not fire, climate, and security controlled (access is somewhat controlled). Paper documents are retained for two to six years.

- **Treasury manages most county investments through the investment pool —** In a few cases Special Districts manage their own investments and provide instructions to Treasury to execute. These are declining in use.

- **Some Treasury reports are difficult to produce** – The Executive Finance Committee Reports do not have complete information. Loans between Metro and King County funds are not always shown. Former Metro funds do not link well to the Interfund loan reporting system.

- **Electronic payments are not recorded in Accounts Payable —** Accounts Payable does not have the ability to record electronic payments. These are posted directly to the general ledger.

- **Cashiers maintain manual books for cash receipts —** A three-part reconciliation between ARMS, the bank, and manual books is required for cash receipts.

f. **Inventory**

Agencies are responsible for managing their own inventories. There is little central oversight and inconsistent handling of county inventories among agencies. Some agencies expense inventory purchases immediately while others book inventory as an asset and record inventory transactions throughout the year. Transit records inventory activity in their MMS system and sends data to IBIS via an interface. Wastewater records inventory activity in IBIS and sends data to their MMS system via an interface. Additional findings include:

- **Inventory practices are inconsistent with little central oversight**.

- **The Transit MMS / IBIS interface requires constant monitoring —** The interface between Transit's M4 MMS application and IBIS is cumbersome and error prone.

- **Transit maintains duplicate sets of inventory items** — Transit Fleet maintains two sets of inventory items, one in IBIS and another in M4. Inventory items are required to record receipts. Receipts are required to complete the three-way match needed to pay the vendor.

- **Wastewater uses IBIS inventory rather than inventory functionality contained in Mainsaver** — Wastewater uses the inventory capabilities contained in IBIS. Information is pulled from IBIS into Wastewater's MMS system, MainSaver. If the work order number is not entered correctly in IBIS, MainSaver will reject the transaction. IBIS does not edit the work order number.

- **Inventory usage is recorded on paper forms and keyed into MMS systems** — Maintenance shops in Transit Fleet and Wastewater use paper forms to request inventory from stock and record inventory usage.

- **Cycle counting is manual** — Wastewater tested barcode equipment for inventory counts several years ago, but found the manual process worked better. Cycle counts are done once a week using an ABC methodology.

- **Wastewater needs 30 to 40 years of inventory history** — Inventory history is critical. Some pumps are 30 or 40 years old and maintenance history records are occasionally needed. This will become more critical as more people reach retirement age; the county will be losing its knowledge base.

g. **Order Entry**

Transit is the only agency using the order management features in IBIS. Transit will be replacing the various types of transit passes with Smart Cards in the next two to three years. This will totally eliminate the Fare Media Pass Order Entry process. All sales will be recorded in the Regional Fare Care System with summarized data being sent to the IBIS General Ledger. The Warranty Claim process is primarily manual. Claims personnel review printed copy of all work orders to identify potential warranty claim items. Additional findings include:

- **Transit's Warranty Claim process is manual** — Transit's MMS application, M4, has a warranty claim module that has not been purchased. The last time the county evaluated the M4 warranty module it did not appear to be a good fit. Although the county's version of M4 has the ability to track some warranty information, there is no automated screening of work orders for potential warranty claims.

- **Reconciling warranty claim invoices and payments is time-consuming** — Transit processes approximately 3,200 warranty claims each year. Vendors will pay several individual warranty claims with a single check. IBIS cannot redistribute cash once posted, so all payments need to be reconciled and identified prior to posting. Transit uses Excel spreadsheets to reconcile payments to invoices. Accounts Receivable requires Transit to provide two adding machine tapes to verify totals.

- **IBIS cannot associate a contract with a vendor** ― Transit creates one customer record for each Transit vendor contract in order to associate invoices to the original contract (required for billing warranty claims to the vendor). IBIS does not have the ability to associate a contract with a vendor.

- **Missing shop information or parts may cause warranty claims to be rejected** ― Some claims are missed when complete information or actual part is not available from the maintenance shop. Vendors require the original part for most warranty claims.

- **IBIS cannot easily report failure rates by part** ― Information on failure rates for specific equipment cannot be easily extracted from IBIS; it is stored in comment fields. This information can be useful when negotiating contracts for new Transit fleets.

- **More aggressive warranty claims procedures may impact fleet pricing** ― There is some concern that being any more aggressive in pursuing warranty claims may affect future Fleet pricing.

4. Cost of Operations

This section provides the costs for the Financials Business Area. Exhibit II-6 shows the FTE, personnel and operating costs for each business function. Key cost observations from this data include:

- Agency processing costs per purchase order ranged from $40 to over $500, depending on the agency reporting. The average King County process cost per purchase order is $200.

- The cost of processing AP vouchers in ARMS is between $16.78 and $43.33 per voucher. Transit (an IBIS agency) reports the lowest per voucher cost at $3.22. A GAO study placed the average voucher cost at approximately $3.55 per voucher[1].

- Accounts Receivable and Collections represent the highest overall business process costs to the county at $8.0 million each year. For many agencies, invoice preparation is primarily a manual process.

- The county spends $2.3 million annually on financial reporting and decision support. Considerable time is spent consolidating data from multiple systems, maintaining crosswalks, and manually preparing reports.

- The Treasurer estimates that monitoring and reconciling the Property Tax Billing System (PBS) to ARMS interfaces consumes approximately 0.8 FTE. Additional effort is also required to monitor the IBIS to ARMS cash interface.

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[1] "Creating Value Through World-Class Financial Management," United States General Accounting Office, 2000.

- Current Capital Asset Management process costs are approximately $800,000 per year. The county's threshold for including assets in the fixed assets inventory is higher than the national standards. Increasing the capitalization threshold could reduce the number of fixed assets tracked thereby reducing the overall fixed asset processing costs, particularly year-end physical inventory costs.

Exhibit II-6: Financial Personnel and Operating costs by Business Function

Business Function	FTE	Personnel Costs (000)	Operating costs (000)	Total (000)
General Ledger	16.8	1,428	196	1,624
Project Accounting	21.5	1,792	57	1,849
Grant Accounting	13.8	1,149	37	1,186
Purchasing	75.5	6,141	655	6,796
Accounts Payable and Warrants Reconciliation	87	6,241	977	7,218
Accounts Receivable and Collections	112.8	7,923	766	8,689
Inventory	14.8	1,087	31	1,118
Order Entry	6.8	504	67	571
Fixed Assets	10.0	787	78	865
Cash, Investment and Debt Management	15.3	1,195	148	1,343
Labor Distribution	4.7	350	4	354
Financial Reporting	25.8	2,324	148	2,472
Total	**404.8**	**$30,921**	**$3,164**	**$34,085**

Exhibit II-7 shows the centralized and decentralized FTE and personnel costs. The centralized FTE and costs represent the FTE and costs submitted by the Finance and Business Operations Division and the decentralized costs represent all other departments.

Exhibit II-7: Financial Centralized and Decentralized Personnel Costs by Business Function

Business Function	Centralized		Decentralized		Total	
	FTE	Costs (000)	FTE	Costs (000)	FTE	Costs (000)
General Ledger	9.5	753	7.3	675	16.8	1,428
Project Accounting	3.2	252	18.3	1,540	21.5	1,792
Grant Accounting	1.2	120	12.6	1,029	13.8	1,149
Purchasing	38.5	3,090	37.0	3,051	75.5	6,141

Business Function	Centralized		Decentralized		Total	
	FTE	Costs (000)	FTE	Costs (000)	FTE	Costs (000)
Accounts Payable and Warrants Reconciliation	30.0	2,134	57.0	4,107	87.0	6,241
Accounts Receivable and Collections	35.2	2,386	77.6	5,537	112.8	7,923
Inventory	.1	8	14.7	1,079	14.8	1,087
Order Entry			6.8	504	6.8	504
Fixed Assets	3.1	247	6.9	540	10.0	787
Cash, Investment and Debt Management	8.5	643	6.8	552	15.3	1,195
Labor Distribution	.1	8	4.6	342	4.7	350
Financial Reporting	8.4	713	17.4	1,611	25.8	2,324
Total	**137.8**	**$10,354**	**267.0**	**$20,567**	**404.8**	**$30,921**

*Number may not "foot" due to rounding.

5. Benefits

The strengths of the county's current operational model include:

- The current model supports the county's basic financial needs. The county is able to produce auditable financial statements, make payments to vendors, manage cash and investments, perform billing, receive payments, and manage assets.

- County personnel understand the current model and the related business processes.

- The Eagle database (a Web reporting tool for ARMS data) allows agencies to query and download data to meet their needs.

- The IVIS Asset Management meets the county's basic asset management needs.

- Transit warranty claim recovery rates are among the highest in the nation.

- The county purchasing organization and process support many of the contemporary purchasing practices.

- The county accounts payable process effectively schedules payments to maximize discounts while maximizing the county's use of funds.

6. Constraints

Some of the county's current financial business processes are the result of legal, policy, or political constraints that would need to be addressed as part of a business process improvement effort.

a. Organizational and Policy Constraints

- Some organizational changes, such as distributing data entry to agencies, would require a realignment of resources.

- Because county data is considered public record, the county does not want to keep customer credit card numbers. Current policy is to use a third party for processing credit card transactions.

- Different agency policies on items like payroll accruals, labor distribution methods, and inventory accounting should be reviewed with the objective of moving towards more standard business processes.

- Significant business process changes will need to address cultural changes and resistance issues.

- Integrating AP vendors and AR customer information to prevent payments to organizations with outstanding obligations may require the county to revise the terms on some vendor contracts.

- A document imaging solution would require the county to address record retention requirements and policies that dictate where source records are kept.

- Electronic signature polices are needed for the county to implement an automated workflow solution. For grants, the granting agency approval may be required.

- Budget policy changes may be needed to support better lease vs. buy decisions. The process needs to be flexible to allow agencies to make the best decision. Available budget authority in the capital or operating budget drives the decision-making process today.

- Support for separately elected agencies is needed to implement countywide business process changes. Separately elected agencies are not required to follow countywide procedures.

b. Legal Constraints

- The grantor defines grant billing requirements; it is generally not possible to change these requirements. Grantors typically require timely billing of labor details. Similarly, the grantor may specify a different capitalization threshold.

- Union contracts may be affected when business process changes result in job description changes.

- Confidentiality issues and HIPPA constraints must be addressed when considering online access to data or scanned documents.

- District Courts are subject to legal mandates that may impact their ability to make some business process changes.

- The Revised Code of Washington (RCW) controls how credit card processing fees are handled.

- King County Code mandates some business process requirements. These requirements include:

  – $1,000 capitalization threshold for assets.

  – Annual fixed asset physical inventory.

- County purchasing and payment procedures must follow state law as well as county ordinances. For example, if payments are more than 30 days past due, the county is required to pay interest.

c. Labor Relations Constraints

- Technology clauses in some union contracts may need to be addressed.
- Changing business processes will affect existing job descriptions and union contracts.

7. Performance Measures

The Finance and Operations Division tracks four items as part of a countywide initiative for performance measurement:

- Percent of revenue distributed on day of receipt.
- Percent of revenue deposition on day of receipt.
- Average point yield above market return.
- Manual checks issued as a percent of total checks issued.

Additionally, Transit and Wastewater track some inventory related performance measures:

- Cycle count accuracy (Transit).
- Stock outages (Wastewater).

8. Role of Technology

The primary support for the Financials Business Area is provided by two enterprise applications. King County implemented the ARMS system 20 years ago. It is a mainframe application, which has been significantly modified since its implementation. ARMS does not fully meet the county's finance needs; it is also cumbersome to use and does not have a user-friendly, online component. The Oracle IBIS system supports the former Metro agencies as well the "straddle agencies." The IBIS system is built on modern technology and provides greater support for public sector accounting needs.

Numerous ad hoc systems have been developed to meet agency-specific finance needs. These applications may be packaged software, custom software, or spreadsheet programs, in addition to paper-based processes.

The county has one centralized asset management system, IVIS. IVIS is a mainframe application which is integrated with ARMS accounts payable. Like ARMS, IVIS is cumbersome to use. Agencies complete paper turn-around documents to request changes to asset records. Some agencies also maintain asset records in their operational or maintenance management systems.

The county maintains two separate centralized accounts receivable systems. IBIS is part of the Oracle financials application and AIRS is the mainframe billing system integrated with ARMS. Agencies maintain a variety of side systems for managing billing information. District Courts use a State of Washington application, DICIS, to manage receivables.

The ARMS system is the county's official record of all cash activity. Some cash is deposited in IBIS, but it is eventually posted to ARMS. There are many systems updating cash accounts. Treasury uses a separate application for managing investment.

The IBIS system supports inventory management for IBIS agencies. ARMS does not include an inventory module. Agencies are using a mix of MMS applications and IBIS to manage their inventories. We did not interview all agencies with inventory or MMS applications. Known MMS applications include M4, Faster, Maximo, and MainSaver.

IBIS Order Management is used for warranty claims and Transit fare media sales order entry. IBIS order management is not a good fit for the county's warranty claims process. It is used as a vehicle for getting transactions to accounts receivable for billing.

In addition to ARMS and IBIS, the county has a predicament system called Advanced Purchasing and Inventory Control System. This system supports the procurement process for ARMS departments. It supports the purchasing and evaluation process once the requisition is received from the department. It does not interface with ARMS, so vendor addresses must be maintained in parallel and encumbrances must be manually

posted to ARMS. This system has the capability for distributed data entry and integration with the financial system but those features have never been implemented.

9. Common and Differing Processes

	ARMS	IBIS
General Ledger	• Agencies and Central Finance prepare paper forms to initiate transactions. • Central Data Entry batch enters transactions; errors are reported the following day. • The accounting calendar has 14 periods.	• Agencies and Central Finance enter, edit, and post transactions online. • The accounting calendar has 12 periods.
Financial Reporting	• Reporting is accomplished using batch reports and the Eagle database. • IBIS balances are entered in ARMS at year-end to produce the CAFR.	• Reporting is accomplished through system reports and business objects.
Project Accounting	• Work breakdown structure includes task, option, and project. • ARMS contains detailed salary cost by individual and by pay period.	• Work breakdown structure includes phase, project, grant, and subproject. • Capital projects must be associated with an appropriation project. • IBIS contains summarized salary costs by code combination (cost center account, phase, project, subproject.)
Labor Distribution	• Accomplished through a labor distribution within ARMS. Uses labor hours input to ARMS, pay rates derived from payroll and agency provided burden rates (paid time off, benefits and indirect cost).	• Accomplished through labor costs input from PeopleSoft and IBIS mass allocations to distribute benefits and paid time off and in some case overhead.
Grant Management	• Provides little support for grant management.	• Provides some support for grant management using the grant chart of accounts element.
Purchasing	• Requisitions are manually prepared and sent to Purchasing.	• Requisitions are created online by the requestor. • IBIS supports electronic

	ARMS	IBIS
	• Purchasing uses ADPICS to support the process. • Encumbrances are manually posted in ARMS.	approval. • IBIS does not post encumbrances.
Accounts Payable	• Departments prepare the payment voucher form the invoice or other documents. • All vouchers are entered centrally. • The three-way match is manual. • Vouchers are processed though the accounts payable system (BUC) and interfaced to ARMS.	• Departments enter vouchers for direct payment purchases. • Most vouchers for purchase orders are processed centrally. • The three-way match is automated.
Warrant Reconciliation	• Warrants issued by all systems except IBIS are interfaced into one central system.	• IBIS has a warrant reconciliation capability.
Capital Asset Management	• Capital asset purchases are integrated with IVIS through the ARMS Accounts Payable module.	• There is no automated integration between IBIS and IVIS. Paper turn-around documents are used to initiate system transactions.
Accounts Receivable	• The AIRS system provides the ability to run a trial billing and make corrections before the final bill is sent. • Invoices are entered through a batch process. • AIRS is integrated with ARMS projects for billing.	• IBIS invoice printing and mailing is outsourced. • Invoices can be entered online.
Cash Management, Debt Management and Treasury	• ARMS is the system of record for cash balances. IBIS cash transactions are posted in summary format to ARMS.	
Inventory	• ARMS does not have an inventory module.	• IBIS supports the inventory function.
Order Entry	• ARMS does not have an order entry component.	• IBIS order entry is used for transit fare media sales and warranty claims.

10. Opportunities

a. Overarching Opportunities

- Consolidate data and eliminate redundant processes by moving to a single financial system.

- Store source documents electronically in a format that allows for rapid retrieval at Central Finance and agency locations (document imaging system).

- Automate transaction entry process with more fully integrated applications, online entry and edits, and electronic workflow. Eliminate data entry forms, turnaround documents, and other paper records that add no value to the business process.

- Shorten the month-end closing time frame. Month-end closing can take up to three weeks due to the PeopleSoft/IBIS payroll accrual. Published performance measures report average closing times at five to eight days; world-class finance organizations close their books in less than four days.

- Improve reporting capabilities. Provide data in an electronic, downloadable format with the ability to create standard reports and ad hoc queries. Distribute reports over the intranet.

b. General Ledger and Project Accounting Improvements

- Distribute some data entry to agencies (new chart of accounts values and transactions). Provide for online editing and posting to eliminate delays caused by the current batch error correction process.

- Integrate timesheet and project accounting information for agencies that want more timely labor data (requires daily timesheet entry).

- Distribute labor benefits and equipment usage after each payroll process rather than once per month.

- Improve tools used to determine labor burden rates and increase frequency of burden rate reviews and adjustments.

- Integrate project billing with subsidiary systems to streamline billing preparation and mailing process.

- Improve integration between project billing and work authorization system(s).

- Eliminate reliance on spreadsheets for critical grant management functions such as billing and reporting.

c. Purchasing and Accounts Payable

(1) Purchasing Improvements

- Distribute data entry (with online edits).

- Automate approval process (workflow).

- Establish a countywide, commodity-based purchasing process.

- Create vendor pools for purchase of recurring goods and services.

- Provide online / electronic catalogs.

- Increase the use of P-cards.

- Increase the use of technology to support purchasing history and purchase decision.

- Automate manual processes related to purchase orders.

(2) Accounts Payable Improvements

- Establish a countywide process for receiving, vouchering, and processing invoices.

- Distribute data entry (with online edits).

- Provide an automate approval process (workflow).

- Provide direct deposit (ACH) payment processes to reduce/eliminate wire transfers.

- Resolve accounting and reporting issues related to P-cards purchases.

(3) Warrant Reconciliation Improvements

- Align the warrant reconciliation functions with the cash management functions.

- Integrate warrant and source data to provide more reporting capabilities.

d. Capital Asset Management Improvements

Provide full integration between accounts payable and the fixed assets system, including integration when assets are purchased using a wire transfer.

- Distribute fixed asset updates to agencies, with appropriate edit controls, to replace current forms-based process.

- Improve grant asset management capabilities so that grant funded assets have a single record in the fixed assets system.

- Increase capitalization threshold to $5,000 for all tangible assets. Distribute responsibility for non-capitalized assets to agencies.

- Implement automated physical inventory process using bar-coding technology.

- Implement perpetual fixed assets inventory system and perform asset inventories on a rotating basis.

- Improve information and tools to support lease versus buy decision-making.

- Integrate agency asset systems with countywide fixed asset system for single source of asset data.

- Prepare for implementation of Asset Impairment Reporting in 2005.

e. **Accounts Receivable and Collections**

- Move to a single countywide accounts receivable application to simplify and standardize business processes and provide more visibility to, and control of, total amounts owed to King County.

- Create a single point of entry for customer setup information at the countywide level. Agency customer needs are different and, in many cases, using a shared customer record is not appropriate due to confidentiality, policy, and legal issues. There should be a mechanism for linking customer records when they represent the same individual or organization.

- Provide a more flexible central accounts receivable and billing system to eliminate the need for some agency side-systems. Provide additional options for invoice preparation and presentation including the ability to print past due amounts on invoices. Provide the ability to reprint invoices on demand.

- Provide the ability to integrate agency side-systems with a central accounts receivable and billing system to eliminate current duplicate data entries. Provide facilities to drill down from invoice amounts to detail transactions that make up the billed amount.

- Distribute data entry to agencies. Eliminate manual forms preparation and keyed data entry processes. Support decentralized customer and billing management and centralized payment processing and collections.

- Provide improved tracking of customer correspondence and communications history.

- Enhance remittance processing capabilities to allow more flexibility for payment posting (e.g. support for one check paying multiple invoices,

processing payments received without payment stubs, etc.). Provide electronic access to payments processed through remittance processing equipment.

- Support electronic bill presentation and payment options.

- Allow project costs to be collected prior to complete customer setup. Provide the ability to bill past project costs collection before customer setup is complete.

- Provide the ability to integrate accounts payable and accounts receivable information to identify vendors with delinquent amounts owed to the county.

- Consider accepting credit cards for some county payments. The customer would pay credit card processing fees.

- Provide a mechanism for timelier, more coordinated notification of bankruptcy proceedings.

- Provide cash flow forecasting tools to assist with grant management activities.

f.   Cash Management and Treasury

- Simplify interfaces between systems, particularly those between Property Tax Billing and ARMS.

- Develop standard agency bank account reconciliation procedures. Develop efficient method for central oversight of agency reconciliation.

- Automate remittance processing through the use of more scannable invoices.

- Increase usage of electronic payment methods for customers such as EFT, debit cards, and credit cards.

g.   Order Entry

- Provide the ability to track warranty claims at the customer and contract level.

- Streamline process for creating vendor invoices, including invoices with a parts exchange component. Supporting parts exchange programs may allow the county to negotiate better contracts with Transit vendors.

- Implement electronic exchange of information with Transit vendors.

h.   Inventory

- Enhance inventory management capabilities through increased use of minimum / maximum inventory levels, reorder points, and vendor lead times.

- Enhance interface between agency maintenance management systems (MMS) and the central inventory system.

- Allow agencies to make inventory purchases directly from the MMS which provides interfaces to the central purchasing application.

- Use Procurement Cards for some inventory purchases.

C. Human Resources Business Area

The Human Resources Business Area includes those business functions and associated processes related to the human resources practices within the county. The specific business functions to be covered were detailed in the project's scope of work. However, the county determined during the initial stages of the assessment effort that it would be more appropriate to employ the business functions as defined by the county's Human Resources Unification Project since the county was in the process of transitioning to the new model which resulted from the project's two-year effort to reform human resource functions and processes.

The assessment of the Human Resources Business Area is focused on the processes as executed within the executive branch by the HRD and the executive branch departments. Separately elected organizations may employ the executive branch human resources processes as guidelines for their own operations, and some do so. Non-executive agencies were invited to participate in the human resources assessment focus group sessions.

The Human Resources functional areas covered by this project are listed below including those functional areas from the project's scope of work that are included in each:

- Human Resources Planning, Selection and Placement

  Includes Position Management and Control, Recruitment, Applicant Tracking, and associated Reporting from scope of work.

- Compensation and Benefits

  Includes Classification and Compensation, Benefits, Retirement Reporting, and associated Reporting from scope of work.

- Organization and Individual Productivity

  Includes Organizational Analysis, Training, and associated Reporting from scope of work.

- Labor Contract Management and Employee Relations

  Includes Safety and Claims Administration, and associated Reporting from scope of work.

- Human Resources

  Includes Human Resources, and associated Reporting from scope of work.

The four human resources focus groups covering the five business functions are listed below:

- Human Resources Planning, Selection, and Placement Focus Group.
- Compensation and Benefits Focus Group.
- Organization and Individual Productivity Focus Group.
- Labor Contract Management and Employee Relations/Human Resources Focus Group.

1. High Level Process Documentation

Exhibit II-8 illustrates the business functions and processes included in the Human Resources Business Area. The business functions and processes are represented in a top-down format. The business processes are aggregated by functionality.

Exhibit II-8: Human Resources Business Area Decomposition
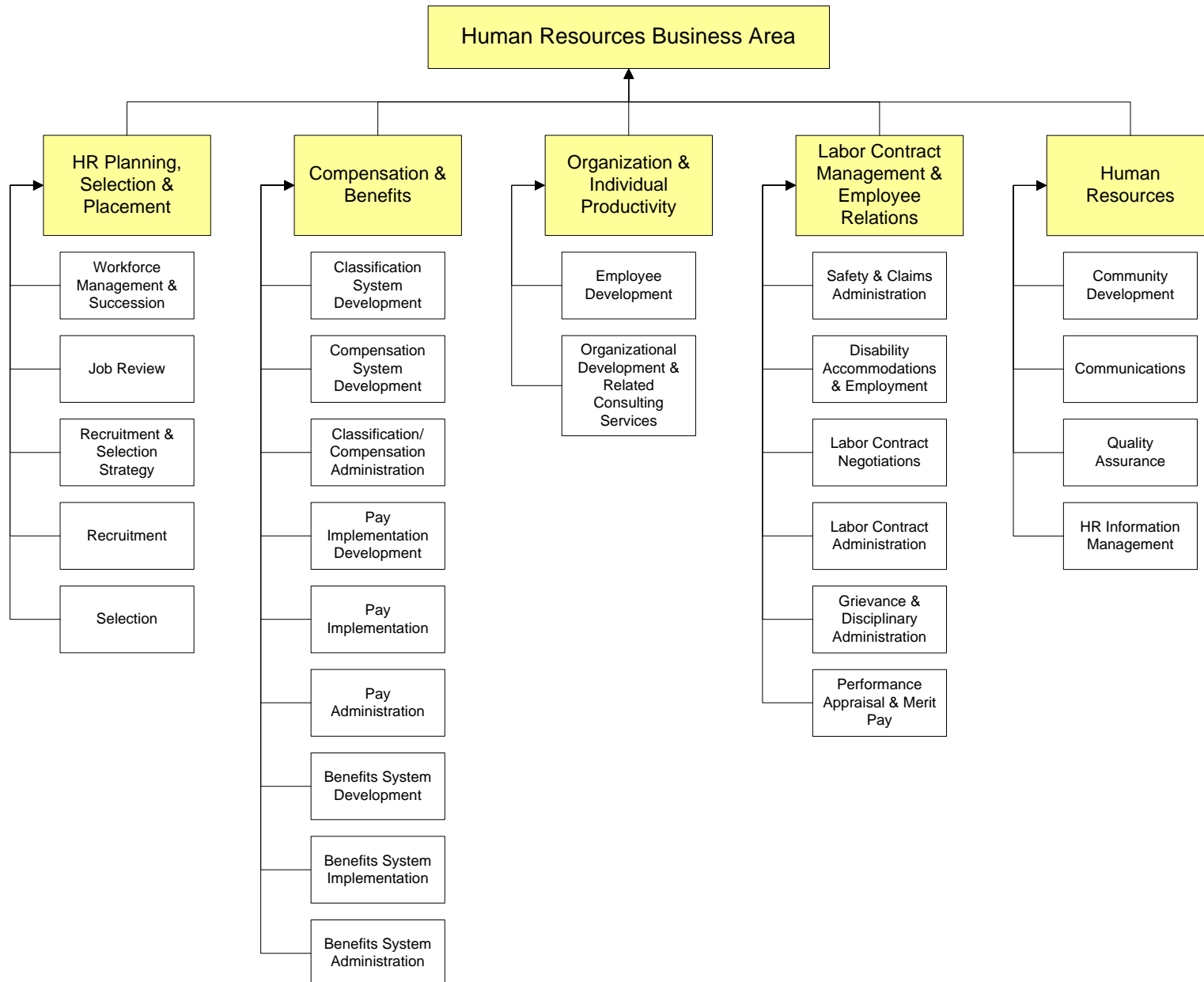
Each human resources business function and associated business processes are described below. Detailed workflow diagrams for each business process are included in Appendix D.

a. Human Resources Planning, Selection and Placement Function

The goal of this business function is to place the right person in the right job at the right time so that people are positioned to perform at optimal productivity levels.

The business processes of the Human Resources Planning, Selection, and Placement business function are described below.

(1) Workforce Management and Succession Process

Provide layoff coordination within Executive Branch and with labor unions, and layoff prevention/placement of affected employees.

The goal of succession planning is to ensure a viable applicant pool is available, competitive, and/or ready to promote. The county's demographic reality is that a significant portion of the county's workforce is able to retire within the next three to five years.

(2) Job Review

Review the body of work to ensure that the job class and description and posting, if needed, reflect current business needs as to the following:

- Appropriate type of position (contract worker, short-term temp, TLT, ongoing appointive or career/civil service).

- Clearly outlined duties and responsibilities.

- Competencies that can meet present and future business needs.

- Integration with other organizational goals i.e. affirmative action, succession planning.

(3) Recruitment and Selection Strategy Process

Department planning is based on the job review to include 1) recruitment and outreach goals to attract appropriate applicant pool, and 2) selection process design to ensure appropriate assessment/testing of knowledge, skills, and abilities.

(4)   Recruitment Process

Implementation of recruitment plan would attract viable applicant pool as identified in the recruitment and selection strategy. Recruitment strategies aside from general posting may include advertisement, job fairs, community events, targeted advertising, and headhunting services.

(5)   Selection Process

Implementation of selection process includes a design to ensure appropriate assessment/testing of knowledge, skills, and abilities that meet EEOC content, criterion, and construct validities. It includes administration of internal applicant hiring considerations and central review and approval of certain starting salaries and PERS Plan I Retiree hiring.

b.   Compensation and Benefits Function

The goal of this business function is to provide tangible rewards so that King County can attract and retain qualified, willing, and able employees, and apply those rewards in a fair, legal, consistent, and accurate manner across all county departments.

The business processes of the Compensation and Benefits business function are described below.

(1)   Classification System Development Process

Develop recommendations for classification policy; develop and maintain the classification system and conduct a review of the entire system on a three-year cycle; provide input to the bargaining process to ensure classification elements are in compliance with law, regulation, policy, and administrative capabilities of the county; and audit the class/comp system to ensure fair, legal, and consistent application of classifications throughout the county.

(2)   Compensation System Development Process

Develop recommendations for compensation policy; develop and maintain the compensation system and conduct a review of the entire system on a three-year cycle; provide input to the bargaining process to ensure compensation elements are in compliance with law, regulation, policy, and administrative capabilities of the county; and audit the class/comp system to ensure fair, legal, and consistent application of classification and pay throughout the county.

(3) Classification/Compensation Administration Process

Conduct reviews of individual positions to determine if, based on the body of work assigned, the position is allocated to the correct classification.

(4) Pay Implementation Development Process

Perform all necessary special compensation studies prior to bargaining; complete financial and administrative impact preplanning for each negotiation; assist with analysis during negotiation; plan and execute successful pay implementation; audit all new contracts to ensure all provisions have been properly implemented in all departments.

(5) Pay Implementation Process

The primary purpose of this business process is to communicate and implement new payroll agreements.

(6) Pay Implementation Administration Process

This work occurs in the Payroll Operation Section of Finance and includes calculating pay tables and both retroactive and prospective pay rates for individual employees when new union contracts or new compensation ordinances are approved.

(7) Benefits System Development Process

The HRD is responsible for developing recommendations for benefit labor policy, negotiating benefits packages with labor, developing benefits programs, conducting Request for Proposal (RFP) for benefits vendors, and implementing benefits programs.

(8) Benefits System Implementation Process

The primary responsibility of this business process is to develop the scope of the benefits system, obtain and score RFPs, and award contracts to vendors. Additionally, this business process works to facilitate and implement all necessary issues related to activating the benefits programs.

(9) Benefits System Administration Process

The Benefits and Retirement Operations Section (BROS) in Finance administers benefits on a day-to-day basis conducting annual open enrollments, developing and distributing summary plan descriptions and other benefits information to employees, and answering member questions about the plans.

(10) Benefits System Administration – Leave Process

The primary objective of this business process is to manage compliance with regard to employee leave in order to make sure that only those amounts reasonable and necessary are paid.

(11) Benefits System Administration – Employee Exit Process

The primary objective of this business process is to manage the benefits of employees and their dependents at the time they separate from the county. This includes contractual agreements (life and AD&D conversions), federal law (COBRA), and county policy (retiree medical).

c. Organization and Individual Productivity Function

The objective of this business function is to provide access to tools, resources, and assistance that will be used by King County agencies to improve individual employee, work group, and organizational productivity.

The business processes of the Organization and Individual Productivity business function are described below.

(1) Employee Development Process

Any activity intended to improve the employee's current job performance or to prepare the employee to be considered for new responsibilities, roles, or positions to meet the organization's changing business needs.

(2) Organizational Development and Related Consulting Services Process

Organization development is a planned, holistic approach to effecting change in an organization. Organization development addresses core, technical, and human systems (e.g. Human Resources Unification Project). Related consulting services are focused on a particular system or situation (e.g. facilitation services, conflict resolution services, customer surveys).

d. Labor Contract Management and Employee Relations Function

The objective of this business function is to use well and invest wisely in human resources for optimal employee productivity now and in the future. Outputs ensure that employee interests and organizational needs are aligned, employees are fit to do the expected work, and individual training and educational needs are met.

Inputs ensure that political considerations related to labor-management agreements, legal, contractual, and other mandated requirements, as well as business and productivity direction and requirements, are met.

The business processes of the Labor Contract Management and Employee Relations business function are described below.

(1) Safety and Claims Administration Process

Safety and Claims Management has three work groups. The Workers' Compensation group administers the self-insured workers' compensation claims for all King County employees. The Safety and Health group's central goal is the prevention of work related illnesses and injuries. The Disability Services group's central goal is to help employees who have either work- or non-work-related disabilities keep working or return to work. Safety is required to provide an OSHA 200 log (a record of work related accidents) to all departments. Additionally, they submit financial reports quarterly to Labor and Industries on Workers' Compensation costs.

(2) Disability Accommodations and Employment Process

The Disability Services group's central goal is to help employees who have either work- or non-work-related disabilities keep working or return to work. Disability Services provides statistics to HRD on how many King County employees with disabilities are accommodated through this program.

(3) Labor Contract Negotiations Process

On behalf of the county Executive, negotiate collective bargaining agreements with recognized employee organizations, in accordance with state law, county ordinances, and county labor policies.

(4)   Labor Contract Administration Process

Advise county managers on interpretation and application of collective bargaining agreements, participate in joint labor-management committees, and assist county managers and employee representatives to resolve questions of contract interpretation.

(5)   Grievance and Disciplinary Administration Process

Advise county managers on procedural and substantive matters related to disciplinary action against employees covered by a collective bargaining agreement; represent the county in grievance and arbitration proceedings on employee discipline and other disputes arising from a collective bargaining agreement.

(6)   Performance Appraisal and Merit Pay Process

The King County Code, Section 3.12.350, requires the establishment of personnel guidelines to include employee performance evaluation. Chapter 3.15 goes on to connect pay to evaluations, thereby establishing a system of merit pay. With guidance from the HRD, these processes are managed at the department level. The departments complete a Merit Pay Eligibility Document annually which is provided to the HRD.

e.   Human Resources Function

This business function consists of all other human resources processes that are not clearly defined within the other four human resources business functions and consists primarily of the four support processes of the Human Resources Unification Program.

The business processes of the Human Resources business function are described below.

(1)   Community Development Process

To integrate and sustain a community of human resources services providers so that they can partner in human resources decision-making and implementation throughout King County. Outputs include increased capacity and capability for delivering human resources services, high-quality human resources service delivery consistency throughout King County, flexibility to better meet the changing needs for human resources services, the promotion of greater accountability for human resources services providers' adherence to human resources policies and procedures,

and a unified response to challenges to employment practices. Human resources services providers view themselves as a community.

(2) Communications Process

Assures that human resources policies, procedures, processes, programs, and projects are clearly understood by the customer and supported so that they work consistently to maintain the overall integrity of the county's human resources/payroll system. Ensures that customers understand the value-adding role of human resources information and services and can better utilize the human resources available to them to 1) benefit business decisions and 2) benefit employee development. Ensure critical feedback from human resources customers is heard, understood, and considered in the improvement of human resources systems and services countywide.

(3) Quality Assurance Process

To ensure, countywide, that human resources management practices are consistent, fair, equitable, and in compliance with the law.

(4) Human Resources Information Management Process

This Human Resources Information Management process enables the provision of reliable, accessible, and secure information so that managers, human resource practitioners, and employees have the information they need to make and implement timely, informed decisions.

2. Centralized vs. Decentralized Processing Methods

The human resource functions for King County are both centralized (HRD) and decentralized (individual departments). In general, HRD develops human resources standards, policies, and procedures, and provides various cross-departmental human resources services. The departments execute human resources policies, standards, and procedures, and interface with HRD to benefit from the cross-departmental services they provide. Basic day-to-day human resources tasks and issues are addressed by the departments with an eye toward department-specific needs and services.

The reasons for a business process being centralized or decentralized can be summarized as:

- Practices were adopted based on the systems as they were implemented.

- Processes have evolved over time.

- Processes have changed to reflect management styles and priorities.

- Changes have been implemented to address internal and external mandates and policies.

- Differences in processes throughout the county are a result of the merger.

Exhibit II-9 displays the human resources business functions by process type – either centralized, decentralized, or a mixture of both. Following the exhibit is an explanation for each business function.

Exhibit II-9: Centralized vs. Decentralized Business Functions

Function/Process	Centralized	Mixed	Decentralized
Human Resources Planning, Selection and Placement		✓	
Compensation and Benefits		✓	
Organization and Individual Productivity		✓	
Labor Contract Management and Employee Relations		✓	
Human Resources		✓	

a. **Human Resources Planning, Selection, and Placement Function**

A combination of centralized and decentralized processes support the Human Resources Planning, Selection, and Placement function.

HRD is responsible for establishing new job codes and classifications and facilitating movement of county personnel from one department to another in the internal transfer process. Additionally, HRD is responsible for managing the exemption process for current mandates such as the countywide hiring freeze, Workforce Management Plan, and hiring individuals outside of the county's accepted pay range practices.

With regard to departmental human resources, their primary role is to interpret and apply the HRD directives. Department personnel are responsible for determining their critical position needs as well as determining the knowledge, skills, and abilities necessary to maximize the usefulness of all positions to the department and the county through the job analysis process. Further, they are charged with the task of advertising for and filling vacant positions with the most qualified personnel available. With regard to exceptions, it is the department Human Resources personnel who make the determination that an exception to standard policies or practices is desirable and they facilitate making the exception request to HRD.

b. Compensation and Benefits Function

A combination of centralized and decentralized processes support the compensation and benefits business function.

HRD is responsible for the development, implementation, and administration of the reward systems for county personnel, both current and retired. This includes salary, benefits, and other rewards as mandated under collective bargaining agreements, union contracts, ordinances, or council edicts. The BROS of the Finance and Business Operations Division (FBOD) is responsible for the day-to-day administration of the health, retirement, insurance, disability, and savings benefits. HRD determines project scopes related to compensation (benefits), classifications and/or pay, solicits providers to supply necessary products and/or services, and works to implement chosen products and/or services.

The primary role of departmental human resources is to interpret and apply the HRD directives to provide feedback on challenges that arise from HRD policies, procedures, and/or standards. Departmental duties include responding and referring, where appropriate, questions and transactions related to benefit plans, leave, terminations, and layoffs as well as any associated payouts. With regard to exceptions, it is the department human resources personnel who determine that an exception to standard policies or practices is desirable and they facilitate the process by which the exception request is made to HRD or BROS, as appropriate.

c. Organization and Individual Productivity Function

A combination of centralized and decentralized processes support this business function.

HRD is responsible for providing timely and consistent training and other resources to county personnel, both organizationally and individually. The goal is to provide consistent and productive knowledge, skills, and abilities that will maximize the human capital in the county. HRD is responsible for maintaining a pool of available resources to provide training in conflict management, supervisory skills, and other issues to enhance county efficiency.

The primary role of departmental Human Resources to interpret and apply HRD directives. Duties include ongoing assessment of the departments' current capabilities to determine if they are best suited to meet departmental business goals and objectives. The departments make determinations as to which personnel need or will benefit from standardized training, and when specialized or situation specific training may be necessary. With regard to exceptions, it is the department human resources personnel that make the determination that an exception to standard policies or practices is desirable and they facilitate the process by which the exception request is made to HRD.

d. Labor Contract Management and Employee Relations Function

A combination of centralized and decentralized processes support the labor contract management and employee relations business function.

HRD is responsible for managing the interpretation and administration of state and federal laws, county codes, and human resources policies. Additionally, labor contracts and collective bargaining agreements for represented members of the county workforce are reviewed, negotiated, interpreted, and reevaluated as to usefulness and applicability. HRD acts as a clearinghouse for the goals, intentions, challenges, and desires related to all departments in relation to contracts, edicts, codes, etc. HRD is also responsible for the global management of issues related to EEO and diversity, performance measurement, and disability accommodation.

The primary role of departmental Human Resource organizations is to interpret and apply the HRD directives as noted above and to provide feedback to HRD regarding challenges which may arise out of state and federal laws, county codes, human resources policies, as well as labor contracts and collective bargaining agreements. Duties include managing departmental conflicts related to all areas of human resources practices with the goal of resolution prior to escalation. Departmental human resources is responsible for recognizing if and when to bring in outside expertise including that of HRD in order to assist in conflict resolution.

e. Human Resources Function

A combination of centralized and decentralized processes support this business function.

HRD, through the community development process, develops and supports an infrastructure of professionalism and communication that is designed to build community among the county's human resources practitioners by increasing access to ideas for improvement, competency, consistency, accuracy, availability of information, responsiveness to issues, and continuing education. The community development and communication processes are designed to build networks by which process efficiency, human resources practitioner expertise, and the ability to promote consistency in business practices related to all human resources functions is realized. The quality assurance processes focus on ensuring that human resources management practices are consistent, fair, equitable and in compliance with the law across the county. Through the human resources information management process, methodologies will be developed for accessing human resources data to enable human resources professionals to make informed and timely decisions.

Departmental human resources is responsible for providing input to and utilization of this infrastructure to maximize efficiency and competency within their individual departments and to participate as a stakeholder in the resultant

countywide network designed to continuously evaluate and improve human resources processes.

3. Process Efficiencies, Process Gaps, and Process Inefficiencies

Process evaluations with an eye toward improvement based on best practices and implementation of the county's business goals and objectives have been conducted over the period of the Human Resources Unification Project to date and are ongoing for all functions within the Human Resources Business Area. Through these evaluations, HRD seeks to maximize process efficiencies by eliminating unnecessary and/or redundant steps that divert resources from primary business objectives. Undergoing such a continual analysis will streamline processes and minimize unnecessary efforts as the Unification Project improvements are implemented across the county. The "team attitude" toward the processes in this business area is evident as are the values of respect, resourcefulness, and accountability to their primary customer, the employee.

Dye Management Group, Inc. reviewed existing documentation, conducted multiple work sessions with the human resources functional lead and designees, and held two rounds of focus group sessions with HRD and the departments to identify the strengths, weaknesses, and opportunities in the county's current business operations model. The findings of this identification effort are presented below by human resources business function.

a. Human Resources Planning, Selection, and Placement Function

Process efficiencies are gained by the Human Resources Planning, Selection and Placement function through the professional human resources subject matter experts who execute the processes within this function. They approach their job responsibilities with innovation, an attitude of continuous improvement and a desire to actively recruit well-qualified individuals for the county workforce.

Time, budget, and staffing issues are constraints regularly encountered, which work to undermine the primary processes within this function. Training is needed at the manager/supervisory level to effectively carry out the function's strategic direction. Refinement of knowledge, skills, and abilities for positions is necessary to improve candidate matching to job requirements. Failure of this process results in inappropriate job matches and the need to repeat the recruitment effort. Communication between HRD and the departments on the status of pending requests is an issue. Significant time is spent gathering data from two separate systems to meet basic departmental needs. Inconsistencies between the MSA and PeopleSoft systems in terms of system qualifiers, i.e., classification numbers, job code numbers, etc., require time-consuming, manual translation.

Individual findings for the Human Resources Planning, Selection, and Placement business function include the following organized by business process.

(1) Workforce Management and Succession Process

- **Limited succession planning**. The majority of the agencies are not currently doing succession planning for other than immediate needs.

- **Lack of understanding of process importance.** Workforce management and succession planning is perceived as unimportant by those executives who have no appreciation for its value.

- **Varying strategies due to management turnover.** Frequent changes in top-level agency directors cause shifts in direction and focus.

- **Inflexible process.** This process needs to be more flexible to allow for technical and unique criteria specific to each agency.

- **Inadequate resources**. Agencies do not have resources or budget to do adequate succession planning.

- **Limited access to information.** Inadequate availability of personnel information, such as retirement and turnover statistics, creates significant challenges for achieving objectives.

- **Data inconsistencies due to two systems**. The information that comes from the county's two existing systems is inconsistent.

(2) Job Review Process

- **Multiple job codes for same classification.** Currently there are three job code structures for the same job classifications.

- **Inadequate feedback on requests to HRD.** Agencies do not receive sufficient feedback from HRD on requests for job classifications, nor status or contact information available during the review process. Perception is that process takes too long and appears to have no timeline or accountability.

- **Resistance to classification process.** Some agencies and/or departments do not feel they should have to request classification for new positions through HRD.

- **Position inequities in same classification.** No defined process for correcting/realigning equity among positions with same job classification.

- **Inconsistencies due to errors.** Classification errors are made over time and create inconsistency in responsibilities among employees in the same job class.

- **Lack of standardized lexicon.** A lack of standardized lexicon of common terms related to knowledge, skills, and abilities undermines efforts.

- **Limited ability to determine competencies.** There is a lack of expertise and consistency among supervisory staff in county as to how to determine competencies.

- **Lengthy complaint process.** When the reclassification process fails, an employee might take a complaint to the Personnel Board, which tends to be a very litigious and complicated hearing process taking up to six months.

(3) Recruitment and Selection Strategy Process

- **Difficult to attract qualified applicants.** Currently agencies find it challenging to attract the appropriate applicant pool.

- **Inconsistent job advertisements.** Advertisements for positions in same job classifications are not consistent.

- **Difficult to hire old/new skills in same employee.** Agencies trying to plan for the future have difficulty finding people who can maintain the archaic systems while also moving to new technology in the county.

- **Slowed hiring process due to hiring freeze.** Getting an exception to a hiring freeze takes too long, especially when immediate hire is necessary.

- **Inadequate access to recruitment/outreach data.** An online resource for agencies to get lists of recruitment and outreach resources is needed.

- **Resistance to sharing recruitment information**. Concerns are that a countywide sharing of recruitment information would result in agencies getting someone else's perceived rejects.

(4) Recruitment Process

- **Inconsistent job announcements.** Job announcements need to have consistent knowledge, skills, and abilities to get the right people into the interviews.

- **Multiple extensions sometimes necessary.** Often the recruitment is extended multiple times to attract the right people.

- **Multiple postings sometimes necessary**. Reopening recruitment is sometimes needed because the right people do not apply.

- **Limited job posting frequency.** Jobs are only posted twice a week.

- **Insufficient pay rates for crafts personnel.** Adequate resources to pay the crafts people are not available.

- **Recruiting impacted by economic conditions.** Downsizing has combined jobs and insufficient training causes errors in recruiting.

- **Lack of training in Applicant Tracking software.** There is a need for more training on PeopleSoft Applicant Tracking (learning curve is significant).

- **Application may not always be necessary.** All positions should not require a county application; rather, a resume and cover letter should be considered acceptable when appropriate.

- **Limited utility of single online application.** "One size fits all" online job application is not effective for the variety of jobs to be filled.

(5) Selection Process

- **Inadequate training.** There is a lack of training for managers in selection procedures.

- **Inconsistent processes.** There are inconsistent processes with the same classification.

b. Compensation and Benefits Function

The professionalism of the human resources subject matter experts executing the compensation and benefits function is a significant contributor to efficiency. Their primary goal is maximization of the human capital of the county's workforce. Their intent is to provide competitive compensation and benefits. They seek to maximize return as well as efficiency. Significant expertise in the development and implementation of reward systems exists in the county. The desire to maximize the benefits associated with such reward systems is evident. Processes are in place whereby cross-functional teams work together to successfully design and implement reward systems that meet the needs of the workforce as well as the county goals of fiscal responsibility.

Again, resource issues are constraints regularly encountered. Job classifications appear to be excessive and need consolidating. Lack of an HRD communication strategy on the progress of classification/compensation requests is a frustration for departments since request turnaround time can be lengthy. A lack of training undermines efforts to make consistent decisions. There is a lack of consistent business processes. Varying provisions in union contracts/agreements add significant complexities. Significant time is spent gathering data from two separate human resources/payroll systems to meet basic departmental needs. Coding for various purposes is inconsistent between the two systems, making research a laborious undertaking. A lack of adequate ad hoc reporting capabilities

has been pointed to in both systems. Pay schedules are frequently different for each collective bargaining agreement, which adds to the implementation and administration overhead. There are few audit procedures in place to ensure accuracy/validity and the result is significant rework.

Individual findings for the compensation and benefits business function include the following organized by business process.

(1) Classification System Development Process

- **Excessive classifications.** There are too many job classifications.

- **Process influenced by employees.** The job classification process is lengthy and employees may have too much influence.

- **Inadequate Council approval frequency.** Council approval of job classification happens only twice a year. This time frame is not effective.

- **Inadequate feedback on requests**. There is no feedback to departments about status of pending job classification requests.

- **Salary tends to be classification basis.** There is a tendency to point to salary first and then build a classification around the salary.

- **Process complicated by labor agreements.** The "labor agreement factor" adds complexity to the classification process.

- **Inconsistent job coding.** Inconsistencies exist in coding jobs.

(2) Compensation System Development Process

- **Lengthy development process.** The process can be lengthy with represented employees taking as long as one to two years.

- **Inadequate feedback on requests.** No feedback to departments about status of pending compensation requests.

- **No access to data.** There is no access to compensation data for market research analysis.

- **Process complicated by union negotiation.** No matter how great the system is, union negotiation is a considerable constraint.

- **Limited compensation parameters.** There is a need for different types of compensation parameters for call-out pay, hazardous duty pay, market premiums, and broadband salary schedules.

(3) Classification/Compensation Administration Process

- **Inadequate feedback on requests.** There is a lack of timely feedback to departments about status and progress of requests. There is no standardization and established timelines for the process.

- **Lack of department human resources involvement.** Department human resources is bypassed by management and requests go directly to HRD, thus leaving the department human resources out of the loop and unable to provide quality assurance. Additionally, responses from HRD often go directly to management or employee, again bypassing the department human resources.

- **Unfairly influenced classifications.** "Priorities of the day" may gain an unfair advantage in classifications being considered.

- **Inconsistent HRD feedback structure.** Responses by HRD back to department are inconsistent in structure.

- **Lengthy appeal process.** The appeal process to the Personnel Board is unpleasant, time-consuming, and lengthy for the departments. The Personnel Board only meets once a month for a half a day. The code requires this process.

- **Lack of process for union/non-union employee moves.** There is no defined process for moving a job from union to nonunion and visa versa.

(4) Pay Implementation Development Process

- **Lack of information due to two systems.** When there is a new pay delivery requirement in a labor contract, HRD needs to have information for calculating the fiscal impact. Modeling is difficult because the information resides in two separate systems.

- **Inefficient data analysis due to two systems.** Historical analysis of payroll data is often outsourced.

- **Inaccurate cost estimates.** Cost estimates are generally not accurate due to a cumbersome allocation process.

- **Inadequate forecasting communications.** There is a communication breakdown between departments when forecasting is complete.

- **Lack of fund manager involvement.** Fund managers are not involved early in the process; they need advance information in order to determine budget impact.

- **Insufficient documentation of contract versions.** There is no mechanism for identifying changes between preliminary, second preliminary, and final labor contract. This information is needed for decision-making purposes.

- **Lack of Budget Office involvement.** The OMB is not notified prior to negotiating pay. They need this information for planning.

- **Lack of clear coding definitions.** There is no clear definition of what coding is appropriate. This makes historical analysis difficult and inaccurate.

- **Inadequate pay communication.** Information is generally communicated after the fact, making it difficult to resolve issues.

- **Inconsistent contract language.** Language among contracts is often inconsistent.

(5) Pay Implementation Process

- **Duplication of effort due to two systems** There is considerable duplication of efforts caused by operating two human resources/payroll systems. Some agencies are on PeopleSoft and others on MSA, and some on both systems (straddle).

- **Complicated pay implementation.** Pay schedules may be different for each collective bargaining agreement. Currently, approximately 50 percent of the Executive Branch are on the squared salary table. The county would like to increase this percentage to reduce the number of separate salary tables being maintained. Some groups will resist this effort.

- **Insufficient controls in MSA system,** There is a lack of control in MSA. There is no formal auditing and validating of data in place to prevent overpayments and discrepancies.

- **Inconsistent use of system features.** System features are not used consistently among departments.

- **Insufficient communication with employees**. There is a lack of communication with employees in the process of pay implementation.

- **Lack of resolution documentation.** Agreements and decisions are not documented during meetings when payroll implementation issues are discussed.

(6)   Pay Implementation Administration Process

- **Lack of audits.** There is a lack of audits on pay to ensure accuracy and validity.

- **Inadequate flexibility.** There is little flexibility in making changes or correcting errors.

- **Lack of timely access to MSA data.** There is no historical data available online for MSA. Custom programming is required.

- **Inadequate ad hoc reporting capability**. There is a lack of user-level ad hoc reporting capability from PeopleSoft and MSA.

- **Inconsistent terminology between systems.** There are terminology differences between PeopleSoft and MSA.

- **Inconsistent coding.** There is inconsistency on coding in MSA, and inconsistency between MSA and PeopleSoft.

- **Complicated employee transfers.** When an employee transfers, it is difficult to transfer the employee record from one system to the other.

- **Cumbersome data research.** Ad hoc reporting is difficult, often requiring analysis of paper payroll documents in the departments supported by MSA.

(7)   Benefits System Development Process

- **Insufficient cost and policy impact information**. The Benefit Systems Development process is very political, based on strategic objectives with many labor impacts. The decision-makers may not have adequate information about administrative costs and the complexity of proposed policy changes.

- **Inadequate employee communication**. New types of benefits may result in significant culture changes. This information is not always communicated to employees in a timely manner.

(8)   Benefits System Implementation Process

- **Insufficient communication to departments.** There is a lack of communication with departments and end-users in this process. Departments are not too involved in the process; this is mostly an HRD procurement effort.

- **Lack of defined transition to Benefits Administration.** After the labor contract is awarded, there is a transition into the Benefits System Administration process. It is not clear where the actual handoff occurs.

(9) Benefits System Administration Process

- **Limited benefits audits.** There are minimal audits conducted for benefit enrollment or changes. Employees do not always notify human resources when they experience a change in status such as marital status or dependant eligibility. The county may continue to pay benefits it is not legally required to pay. There is no penalty to the employee for failure to provide proper notification.

- **Lack of employee access to benefits information.** Employees do not have easy access to benefits information. Employees request benefit changes through paper forms. Not all employees have access to computers so a variety of methods for disseminating benefits information need to be considered.

- **Lack of department access to benefits information.** Departments do not have access to benefits data.

- **Insufficient timeliness in posting terminations.** Delays in posting terminations in MSA can lead to delays in an employee receiving retirement or worker's compensation benefits, as well as paying for benefits for former employees.

c. Organization and Individual Productivity Function

Maximizing the human capital elements is the primary objective assigned to this function. The training and improvement tools currently available are a good start to maximizing leadership and efficiency within the county. It takes innovative and future-minded individuals to recognize the county's needs in terms of training and organization before those needs become critical. Such individuals exist in the county. Alternative ways to teach and to learn are continually being explored, and to the degree possible given resource issues, incorporated into this business area's practices and procedures.

Stated objectives are expected to be accomplished in an atmosphere of constraints, such as too little time and too few resources, which undermine the primary processes of this function. There are no timelines imposed for mandatory supervisory training, reducing the toolset available to leadership to support and direct their constituency until the training is completed. Although the same training is often procured by multiple departments, departments rarely share training to reduce costs because of a lack of communication/coordination. Employee training histories do not 'travel' with employees moving from department to department, possibly resulting in a retaking of training classes.

Individual findings for the Organization and Individual Productivity business function include the following organized by business process:

(1) Employee Development Process

- **Lack of access to training equivalency information.** There is no centralized, accessible source of approved equivalency training.

- **Lack of standard schedule.** There is no standardized planning schedule.

- **Inefficient procurement.** Multiple departments often procure similar training, despite the fact that a process for sharing of requirements for possible procurement advantages is in place.

- **Static training history.** Training history may not transfer when an employee moves to a new department.

- **Inefficient access to training.** The training signup and approval process is manual.

- **Lack of effectiveness measures.** There is no measurement of the effectiveness of the learning process.

- **Lack of employee improvement plans.** Employee improvement plans are not consistently done across the county.

- **Inadequate basis for training approvals.** Training approvals are not always based on job needs.

- **Lack of supervisor accountability.** Mandatory employee training completion is not tied to supervisor's performance review.

- **Slow substitution approval process.** The substitution approval process for mandatory training is not timely.

- **Lack of supervisor training targets.** Supervisor training is considered excessive and has no targets for completion.

(2) Organizational Development and Related Consulting Services Process

- **Inadequate resource communication.** Multiple consultant pools exist. All departments are not necessarily aware of the pools and the process required to obtain services.

- **Lack of shared procurement strategies.** There is a lack of knowledge about what other departments are procuring, so departments are unable to do joint training to reduce costs.

- **Inadequate information on alternative services.** There is a lack of regular information about services available from other government sources such as Washington State and the City of Seattle, and alternative sources of assistance such as books, guidelines, library, video, CD's, etc.

- **Lack of internal resource pool.** There is no internal pool of trainers/consultants.

d. Labor Contract Management and Employee Relations Function

Resolving conflict takes a significant commitment to look squarely at the areas in which individuals and/or groups have differing opinions, intentions, and/or desires. It also requires dedicated, well-prepared individuals who are able to think independently while keeping an eye on global goals and objectives. Organizations which succeed in resolving initial conflicts and building long-term, functional relationships are rare. The county appears to have a strong inner core of human resources professionals who are able to work successfully within the difficult area of conflict resolution, both with internal personnel (employees) and external sources (unions). Many processes related to the facilitation of conflict resolution appear to be well thought out and functioning with relatively high levels of success. Additionally, reaching agreement with labor unions appears to be successful in spite of the complexity associated with over 60 collective bargaining agreements.

As with the other business functions, time, budget, and staffing issues constrain the ability to achieve goals. Communication between organizations impacted by the negotiation/agreement process is not normally conducted prior to the agreement being reached, resulting in significant dollars being spent to implement contract provisions. A lack of training of line managers in reasonable disciplinary actions can escalate situations, leading to formal grievances and Personnel Board hearings. Inconsistencies between contracts in terms of contract/agreement/MOU language can cause disparities in interpretation. Significant time is spent researching decisions/actions from past grievances since there is no consistent method/central location for capturing and storing this data. The current merit pay system is not based on "true" merit. Too often it is used to justify a pay increase, rather than reward superior performance. Separate processes are required to enter data into or gather data from the two human resources/payroll systems.

Individual findings for the Labor Contract Management and Employee Relations business function include the following organized by business process.

(1) Safety and Claims Administration Process

- **Lack of common hierarchy.** There is a lack of a common hierarchy between MSA, PeopleSoft, and Budget. This causes a gap when

reporting from ICOMP, since reports are sorted by cost center (funding source) rather than by organization (where people work).

- **Position inconsistencies due to two systems.** Titles and classifications are not consistent between MSA and PeopleSoft.

- **Inefficient employee tracking process.** In order to know what days people came to work, departmental payroll clerks must be contacted. Some departments maintain this information in an ad hoc automated system, while others track when people came to work manually. This information is not maintained in MSA or PeopleSoft, although PeopleSoft may have this capability.

(2) Disability Accommodations and Employment Process

- **Inefficient reassignment process**. Temporary reassignment of employees is a manual process. There is no system/process in place to create job announcements with physical requirements for the reassignment pool.

- **Resistance to temporary duty policies.** It is difficult to get light duty workers back to work in the county. This is an item to bargain with the unions. There is a temporary duty policy for the county, but it is very hard to implement in each department.

(3) Labor Contract Negotiations Process

- **Lack of program manager involvement.** Negotiations can impact programs, yet program managers are not included in the process.

- **Inexperience in negotiation may exist.** Executive Branch has most of the contracts and the most experience with contract negotiations.

- **Lack of contract consistency.** There are 65 contracts and 85 bargaining units. There are wide differences and varying languages between these contracts.

- **Resistance to contract consistency.** There is little direction from executives or HRD to have negotiators gain consistencies in contracts.

- **Lack of standard negotiation guidelines**. There are frequently no standard guidelines or parameters defined for the negotiation process. If a concession is made in one contract, all other contracts want the same concession. Vague language is bargained which results in a loss of time and/or incorrect interpretation.

- **Lack of management and contract implementer involvement.** Tentative agreements might be made without first consulting with

management and operational units that have the final responsibility of contract implementation.

- **Lack of historical contract repository.** It is hard to administer a contract that is rolled over again and again with Memos of Understanding (MOU's). Several sources are needed to get contract information, which is not an efficient use of time.

(4) Labor Contract Administration Process

- **Contract and payroll are not always in sync.** When a contract is signed, there is a meeting with payroll and compensation specialists to identify the impact of the contract on payroll. This conversation is not formally documented. Also, contracts are administered differently between MSA and PeopleSoft. Training and communication needs to be organized. Payroll often needs to make programming changes. This all has to be done in 30 days from contract approval. There is now an established implementation team in place to handle these issues.

- **Lack of point of contact.** Payroll needs a point of contact (not the labor unions) for contract administration questions.

- **Lengthy feedback process.** Sometimes it takes too long to get contract administration information, such as answered questions or resolutions.

(5) Grievance and Disciplinary Administration Process

- **Inadequate understanding of appropriate disciplinary actions.** Supervisors need to understand what disciplinary actions are appropriate and which are not so that issues are not escalated to HRD and the labor unions.

- **Lack of standardized disciplinary process.** It is difficult to come up with an inclusive disciplinary process because of the many variables from work group to work group.

- **Inadequate grievance tracking capability.** Grievances and decisions must be tracked. PeopleSoft can do this, but not at the division level.

- **Lack of historical contract repository.** A large amount of time is spent researching past labor contracts. Some departments operate their own tracking system to expedite contract research.

(6) Performance Appraisal and Merit Pay Process

- **Lack of appraisals for unionized employees.** Performance appraisals are not generally completed for represented employees since represented employees receive automatic step increases.

- **Incorrect merit pay focus.** Merit should be disconnected from the performance appraisal process. Merit pay belongs in compensation and benefits.

- **Lack of effective performance improvement tools.** Supervisors need an effective tool to realize employee performance improvements. Mid-year reviews, 360 degree reviews, and quarterly discussions have been considered.

- **Inefficient data entry due to two systems.** MSA and PeopleSoft have separate processes for inputting information.

e. **Human Resources Function**

The role of the human resources practitioner is changing from that of an administrator to that of an active, strategic partner. This requires individuals who are constantly assessing what they do and seeking how to improve their services. Concern for the people/relationship issues as well as the task/process is paramount to success. In order for employees to do what they do and do it well, the overall work environment must be safe and access to resources for improvement and growth must be available. HRD is making the shift from administrator to strategic partner in helping the county achieve its goals and objectives. Of paramount benefit is that both the centralized (HRD) and decentralized (departmental) areas of human resources exhibit an attitude of cooperation and desire to move all forms of challenges related to human capital from problem to the solution.

The human resources function consists of supplemental business processes introduced by the Human Resources Unification Project. The primary objectives of the function include forming and promoting a professional "human resources community" across the county, providing effective and consistent communication channels, ensuring that human resources strategies are implemented and practiced through a quality assurance program, and promoting avenues of access to the county's human resource data.

Individual findings for the Human Resources business function include the following organized by business process.

(1) Community Development

- **Lack of management understanding of their human resources roles.** Supervisors and managers need increased understanding of their roles and the benefits of being human resources service providers.

- **Untimely training completion.** Training is not completed in a timely manner. Supervisors have job demands that prevent them from attending training.

- **Lack of easy access to data.** Human resources information is not easily accessible.

- **Inadequate HRD attendance at forums.** HRD is not represented well at the community forums.

(2) Communications

- **Inadequate access to data.** A single, easily accessible source for human resources information does not exist.

- **Lack of resources inhibits improvement.** A Web portal is desirable, but there are not enough resources to implement and maintain this information/portal.

- **Insufficient feedback on requests to HRD.** Decisions are not made in a timely manner. There is no way to track information, research, and requests to HRD.

(3) Quality Assurance

- **Lack of quality assurance.** A QA process and support team needs to be implemented. There needs to be a method to audit, review, inspect, and provide feedback to ensure quality.

(4) Human Resources Information Management

- **Insufficient MSA user documentation.** Coding needs to be simplified and "cleaned-up." This will make moving from MSA to PeopleSoft much easier. An 18-month MSA Standardization project has just begun, which will include updating the MSA manuals and coding instructions.

- **Lack of information management.** PeopleSoft's e-apps are being considered to assist with human resources information management needs.

4. Cost of Operations

This section provides the costs for the Human Resources Business Area. Exhibit II-10 shows the FTE, personnel, and operating costs for each business function. Key cost observations from this data include:

- King County spends $722,433 annually in support of performance appraisals, individual development plans, and merit pay processes. The county reports that approximately 40 percent of the county workforce (6,313 employees) had

performance appraisals last year. The average cost of conducting performance appraisals was nearly $46 per employee.

Exhibit II-10: Human Resources Personnel and Operating Costs by Business Function*

Business Function	FTE	Personnel Costs (000)	Operating costs (000)	Total (000)
Class and Compensation	15.5	1,674	61	1,735
Pay	13.4	1,475	91	1,566
Benefits	32.7	2,823	503	3,326
Employee Development	18.9	1,860	87	1,947
Organizational Development	10.4	968	36	1,005
Workforce Management	28.0	2,867	86	2,952
Recruitment	30.0	2,553	129	2,681
Safety and Claims	37.5	3,658	113	3,771
Disability Accommodation and Employment	10.8	1,096	28	1,125
Labor Contracting	29.8	3,289	109	3,398
Grievance and Disciplinary Administration	29.0	2,922	56	2,978
Performance Appraisal and Merit Pay	8.1	722	36	758
Human Resources	12.2	1,249	29	1,278
Total	**278.3**	**$27,156**	**$1,363**	**$28,520**

* Numbers may not "foot" due to rounding

Exhibit II-11 shows the centralized and decentralized FTE and personnel costs. The centralized FTE and costs represent the FTE and costs submitted by the HRD and the decentralized costs represent all other departments.

Exhibit II-11: Human Resources Centralized and Decentralized Personnel Costs by Business Function*

Business Function	Centralized		Decentralized		Total	
	FTE	Costs (000)	FTE	Costs (000)	FTE	Costs (000)
Class and Compensation	10.3	1,165	5.2	570	15.5	1,735
Pay	1.0	113	14.4	1,453	15.4	1,566
Benefits	10.8	973	21.9	2,353	32.7	3,326
Employee Development	2.0	209	16.9	1,738	18.9	1,947
Organizational Development	1.8	177	8.6	828	10.4	1,005
Workforce Management	9.8	1,046	18.2	1,821	28.0	2,867
Recruitment	6.2	533	23.8	2,020	30.0	2,553
Safety and Claims	21.8	2,164	15.7	1,494	37.5	3,658
Disability Accommodation and Employment	4.0	434	6.8	662	10.8	1,096
Labor Contracting	15.0	1,808	14.8	1,481	29.8	3,289
Grievance and Disciplinary Administration	7.7	875	21.3	2,047	29.0	2,922
Performance Appraisal and Merit Pay	.5	17	7.6	705	8.1	722
Human Resources	1.5	170	10.7	1,079	12.2	1,249
Total	**92.3**	**$9,684**	**186.0**	**$16,963**	**278.3**	**$27,156**

* Numbers may not "foot" due to rounding

5. Benefits

The strengths of the county's current human resources business model include:

- An experienced and professional pool of subject matter experts in all areas.

- A detailed and well thought-out plan of action based on human resources best practices to standardize future human resources practices throughout the county. The Human Resources Unification Project is a project that has been underway for approximately two years. It is a joint effort between the subject matter experts in HRD and human resources subject matter experts in the departments. Project results are currently in the initial stages of roll-out. Feedback from the departments has been very positive. The plan has been subject to continuous evaluation in order to maintain alignment with the county's strategic direction and current human resources best practices.

- A willingness to explore the development of a culture of continuous improvement.

- An attitude of willingness to further explore additional teamwork opportunities between HRD and the departments.

- A willingness to build coalitions between departments for sharing information, as well as achieving cost savings through joint ventures to maximize training and consulting resources.

- Detailed, up-to-date business processes.

6. Constraints

Constraints to a more productive future for the county exist, but these constraints will not prevent success as long as a strong commitment is made to stay the established course. The Human Resources Unification Project has recognized these constraints in designing the county's future human resources strategy.

- Organizational constraints include:

  - Limited resources of time, staffing, and money.

  - Inconsistencies in leadership training as well as human resources personnel available to support leadership in human resources issues.

  - Two separate human resources/payroll computer systems that do not interface with one another. This constraint has resulted in many departmentally created ad hoc systems designed to meet specific departmental needs. Such systems support an infrastructure that does not share data across departments and causes duplication of efforts,

compartmentalization, excessive rework, and a lack of knowledge about what activities/actions are being undertaken in other areas of the county.

- An existing culture that is resistant to change.

- A lack of sufficient training in many areas.

- An existing culture of 'ownership' of processes that have not traditionally or globally included significant input from customers and suppliers.

- Lack of consistency in business practices and procedures.

- While most departments evaluate themselves internally, little opportunity to develop 360 degree evaluations have been put into place.

- Lack of accountability to internal customers in terms of communication / updates.

- Legal constraints include:

  - County, state, and federal laws.

  - Union negotiation requirements.

  - Affirmative Action considerations.

  - RCW issues/requirements.

  - Documents become public records and are discoverable at times of legal conflict.

- Labor relations constraints include:

  - Union negotiation requirements.

  - Affirmative Action considerations.

- Policy constraints include:

  - Existing county policy.

  - Decisions as to who 'owns' processes and thus who will be required to maintain any systems created.

7. Performance Measures

Human Resources tracks the following activities as part of a countywide initiative for performance measurement:

- Compliance with the EEO/AA plan.

- Implementation of the Human Resources Unification Project.

- Number of Personnel Board hearings.

- Number of compensation analyses conducted.

- Number of job postings (separated by internal and external offerings).

- Number of bargaining agreements negotiated and implemented.

- Percent of grievances filed that are found in favor of the county.

8. Role of Technology

The primary support for the Human Resources Business Area is provided by two human resources/payroll applications. Some departments are exclusively supported by MSA and some exclusively by PeopleSoft. In addition, the county has departments supported by both applications.

Numerous department ad hoc applications have been developed to meet department-specific human resources needs. These applications vary from Word documents and Excel spreadsheets to packaged applications purchased from outside vendors. They may be populated by regular feeds from the human resources/payroll systems but are usually populated by the manual entry of information contained on hardcopy human resources/payroll application reports or special data extracts produced on demand by ITS (MSA data) and/or Finance (PeopleSoft data).

9. Common and Differing Processes

System-based human resources processes are complicated by the operation of two human resources/payroll systems by the county. Some departments are supported exclusively by MSA, others are supported exclusively by PeopleSoft, and yet others are 'straddle' agencies supported by both systems. Though transaction processing is of lesser significance in the Human Resources Business Area than the other business areas addressed by this assessment, working with two systems with differing functionality and data access capabilities has an adverse impact on the execution of non-transaction based business processes.

The MSA system is an older batch system. For the most part, user interface is via paper forms and keypunch data entry on the input side, and hardcopy reports on the output side. The PeopleSoft system is a modern online system. Its user interface is online via the county's Intranet on the input side, and electronic data via the county's Intranet on the output side.

Access to system data is especially difficult for MSA supported departments. Mitigation efforts have resulted in the proliferation of department ad hoc systems, as well as various manual and electronic interfaces through which they are supplied with data.

The processes surrounding interaction with the systems vary not only from system to system, but from department to department using the same system. In general, the MSA processes are cumbersome and resource intensive both for HRD and the departments, while the PeopleSoft processes are more streamlined and easier to execute.

10. Opportunities for Improvement

During the focus group sessions, several opportunities for improvement of each business function were identified and discussed in high- to mid-level detail. Generally, the opportunities focus on access to information, information sharing between human resources business functions, and resolving current information deficit issues through the introduction of additional system-based capabilities. The opportunities presented ways to improve accuracy, consistency, accountability, and responsiveness, with the objective of maximizing of the efforts of each business function to ensure the most productive use of county resources.

The opportunities identified during the first round of focus group sessions are listed below by process within function. The opportunities were reviewed by the county before the second round of focus group sessions resulting in some consolidation and elimination of opportunities. The matrices located in Appendix D display the results of the county's review.

a. Human Resources Planning, Selection and Placement Function

Individual improvement opportunities for the Human Resources Planning, Selection and Placement business function are included below by business process:

(1) Workforce Management and Succession Process

- A single human resources/payroll system with online capabilities is needed.

- Access to HRD CDW (Consolidated Data Warehouse) database could provide valuable personnel statistics, but is not a long-term solution.

- The county needs a uniform mentoring program.

- "How To" guidelines for succession planning such as identifying key positions is necessary.

- A "Tool Box" for planning is in progress for release in 2004.

- A demographic study of countywide workforce is to be used for core group competitive open opportunities for internal promotions.

- The county needs a retirement reporting database including departmental input that is accessible online.

- Sharing of information across agencies would encourage consistency, accuracy, and interagency cooperation.

- Methodology to demonstrate payback on resource investments is needed.

- Current employees need to create desk manuals.

(2) Job Review Process

- A single set of business processes to encourage consistency throughout all agencies needs to be developed.

- One human resources/payroll system that would move to a consistent job coding structure is critical.

- A key word search for job classifications is necessary.

- Interim help could be provided by an automated cross-referencing of the seven-digit job code, the four-digit MSA job code, and the six-digit PeopleSoft job code.

- Online access to job review status and expectation for completion, status reporting, request tracking would be beneficial.

- HRD should respond to agency regarding job review with a timeline, contact person, and ongoing status of request.

- Define knowledge, skills and abilities, and education required for each job classification and match positions to these qualifications.

- Develop a checklist to determine if jobs can meet current and future needs.

- Develop a common structure and definition of competencies to drive KSA and competency profiles.

- Job codes should be available through county Intranet and should include additional information such as EEO code, default FLSA, and exempt/non-exempt status.

- There should be a formal process for moving a job from union to nonunion and visa versa, and for moving a job to union when employee does not want to join the union.

- Timely updates of payroll systems with job codes are necessary.

- Lists of outreach resources as part of affirmative action planning should be available online.

- There should be a standard error correction process for realigning classifications.

- There should be a process with specific steps to be taken with unions for reclassification reviews before going to the Personnel Board.

(3) Recruitment and Selection Strategy Process

- Hiring freeze should be abolished because approvals take time and waivers are granted most of the time. If not, the waiver process should be moved to the reassignment process to improve turnaround time.

- Lists of job accommodation and layoff/recall pool should be available to use as resource for strategy, including profiles of skills.

- Bargaining units should be identified that have unique replacement processes to be considered.

- Reoccurring jobs classifications that are needed for multiple positions continuously open should be kept.

- Information should be shared among agencies by using PeopleSoft capabilities for information on candidates and applicant pool where appropriate (Some agencies had a problem with sharing this information or thought cross agency requirements would not be applicable).

- Implementation of a countywide recruitment website where applicant indicates which agencies and locations they are interested in applying for specific job classifications. (Example is the Washington State website).

(4) Recruitment Process

- Use of PeopleSoft by all departments for applicant tracking.

- Employment and diversity tool box is being developed including a checklist of all items needed to execute job postings and provide management classes on hiring.

- An active pool of applicants for positions that need filling on a reoccurring basis needs to be created.

- Provide alternative online job application formats appropriate to the job type being filled.

- Jobs should be posted online daily and automatically pulled on the job's closing date.

(5) Selection Process

- Automated workflow management is needed.

- Training of managers in selection skills is necessary.

- System checklist needs to be developed that is intuitive with job code, union code, etc. and generates a checklist for selection panel.

- Development of a Web-based training manual covering recruitment and selection for managers and supervisors.

- A salary link to complete request to hire above base rate and route for approval needs to be created.

- Creation of a template is needed for job offer that pulls in name, address, approved salary, etc. to generate offer letter.

- Development of an automated new employee checklist with orientation schedule, information sent for ID badge, and a key card for building access, including a system for new employee orientation with tracking complete with approvals.

- Elimination of the code requirements that require the approval of county executives for initial pay is needed. This would be a change to a county ordinance.

- Generation of an automated notification (keyed off hire date) is needed to inform a supervisor that a probationary performance appraisal is necessary.

b. Compensation and Benefits Function

Individual improvement opportunities for the Compensation and Benefits business function are included below by business process:

(1) Classification System Development Process

- Move toward reducing number of job classifications while still accommodating department's need for special classifications for specific jobs.

- Develop shortened process for job classification process and have more weight in process by "experts" rather than employees.

- Implement process for Council job classification approvals on a timelier basis.

- Develop an online, countywide, Intranet-based job classification request and tracking system with input on requirements from the departments

- Standardize the classification approach to focus on the skill set and the job rather than the salary, and encourage all departments in the county to work under it.

- Develop classification procedures that address the "labor agreement factor" challenges, specify limitations, and possibly reach agreement with union negotiators/unions on result.

(2) Compensation System Development Process

- Develop a shortened compensation process by streamlining.

- Develop an online, countywide compensation request and tracking system with departmental input on the requirements.

- Provide online access to compensation data for departmental research purposes.

- Standardize union negotiations to include pre-negotiation discussions regarding compensation parameters.

(3) Classification/Compensation Administration Process

- Develop an online, countywide request and tracking system that promotes standardized processes including timelines, targets, and contact person information

- Utilize the SDM position in the departments as a conduit for requests to HRD and responses from HRD, and to add quality assurance to the process.

- Develop a standardized process and clearinghouse for classification requests to be reviewed and prioritized for action based on pre-determined parameters, and to request results to be reviewed by HRD and returned to departments in a consistent format.

- Develop a standardized process where the department, HRD, and employee attempt to reach a resolution through alternative means based on a predetermined flowchart of viable alternatives before going to the Personnel Board.

- Develop a formal process for moving job from union to non-union and visa versa.

(4) Pay Implementation Development Process

- Implement a single payroll system to retrieve accurate/timely data for "fiscal" impact and provide consistent reporting of historical data.

- Simplify the allocation process so that cost estimates are consistent and more accurate.

- Develop a communication plan that involves the Department Fund Manager and OMB earlier.

- Develop a mechanism to report the effects of changes in labor contract terms throughout the process.

- Develop and communicate consistent coding standards. Establish an ongoing training plan to ensure consistency.

- Develop standard contract language that can be applied to multiple contracts. Include consistent language on special treatment items.

(5) Pay Implementation Process

- Implement a single payroll system to eliminate "straddle" situations and duplication of effort and support consistent coding standards.

- Move the county toward the squared salary table to simplify pay implementation.

- Develop edits and validations to ensure accurate pay implementation updates.

- Develop and communicate procedures for dealing with pay implementation issues. Establish an ongoing training plan to ensure consistency.

- Develop an employee communication plan including information on timing (a "Calendar of Process").

- Develop a methodology for consistently documenting decisions and agreements made during Pay Implementation.

(6) Pay Implementation Administration Process

- Implement ongoing audits to ensure data accuracy and validity.

- Implement a single human resources/payroll system to facilitate historical reporting and a consistent job coding structure for ad hoc reporting. There should be a single source for historical payroll data.

- Develop a flexible method for making updates and corrections on pay.

- Develop, define, and communicate standard terminology.

(7) Benefits System Development Process

- Involve the Benefit Team upfront to provide feedback on the feasibility in terms of administrative costs and complexity of implementing the proposed policy changes.

- Include communication to employees in the rollout plan to address cultural change and training issues.

(8) Benefits System Implementation Process

- Implement a communication and training plan for major cultural and policy changes.

- Develop an implementation methodology, which ensures a clear handoff to Benefits Administration. Methodology should include clear coordination between the time of contract award and its delivery to end-users.

(9) Benefits System Administration Process

- Develop an audit procedure for reviewing and verifying employee benefit enrollment and changes to ensure compliance with county policies. Consider imposing penalties for noncompliance.

- Implement employee and manager self-service for benefits administration. Provide multiple means of accessing data (website, IVR, service center, etc).

- Make changes that will reduce current delays in posting terminations in MSA.

- Develop an audit procedure for reviewing and verifying employee benefit data on retirement to ensure compliance with county policies. Consider modifying county policies or providing better communication to address special circumstances.

(10) Benefits System Administration – Leave Process

- Centralize leave administration in order to ensure proper compliance of very complex leave statutes, i.e. FMLA, KCFML, USERAA, ADA, WC, DRS, and WFCA.

- Develop procedures to monitor overlaps between all the leave programs at the county and identify what statutes are applicable, to include overlaps or possible conflicts.

- Manage leave absence to ensure that only those employees entitled to county-paid benefits receive them and thus contain costs.

(11) Benefits System Administration – Employee Exit Process

- Manage employee "exit" process (employee leaves county employment) to ensure timely compliance with contractual agreements (life and AD&D conversions), federal law (COBRA), and county policy (retiree medical).

- Manage process to contain costs to ensure that the county only pays required benefits.

c.   Organization and Individual Productivity Function

Individual improvement opportunities for the Organization and Individual Productivity business function include the following:

(1)   Employee Development Process

- Provide an accessible online source for approved equivalency training.

- Standardize planning activities with a specific schedule.

- Develop a centralized database of procurements for possible reduction in costs.

- Develop a common database to record employee training that stays with employee.

- Develop a self-service system allowing employee to sign up for training classes. System should automatically inform employee of required training and allow department to enter their own required and optional training, certifications, membership, and licenses.

- Develop learning effectiveness measurements including employee feedback process and methodology for employee to demonstrate learning effectiveness to supervisor.

- Require employee improvement plans on a regular basis.

- Develop process through which supervisor justifies training by identifying core classes for each job type before training.

- Provide sufficient training budgets based on business case justification during planning process.

- Tie employee's completion of mandatory training to supervisor's performance metrics.

- Streamline the mandatory training substitution process and maintain online accessible database of approved substitutions.

- Consider alternatives to or reduction in current 84 hours of supervisor training, and set targets for completion aligned with supervisor skills needed.

(2) Organizational Development and Related Consulting Services Process

- Combine consultant pools and develop a single access process.

- Develop an accessible online database of procurements so departments can share costs rather than incur separate procurements. This should also include availabilities from other government sources such as Washington State and the City of Seattle and vendor evaluations and references.

- Consider developing an internal pool of trainers/consultants who have a perspective on the county's environment.

d. Labor Contract Management and Employee Relations Function

Individual improvement opportunities for the Labor Contract Management and Employee Relations business function include the following:

(1) Safety and Claims Administration Process

- Define a common hierarchy between budget and payroll, so that where employees report and funding source is reflected on claims reports. ICOMP reports by cost center and not organization hierarchy; therefore, reports are difficult to use. Need to easily identify activity by department and division versus cost center hierarchy.

- Develop consistent position titles and classifications.

- Have payroll system maintain and record when people came to work (by day, hour, etc), rather than maintaining leave totals.

- Simplify leave type coding.

- Implement a safety injury prevention program which provides a feedback loop, so that departments are made aware of injuries that have occurred and are educated on how to prevent additional occurrences.

(2) Disability Accommodations and Employment Process

- Automate the process to temporarily reassign employees who need disability accommodations.

- Develop a system/process to create job announcements for the reassignment pool that include the physical requirements of the job.

- Build a framework to assist departments with the return-to-work policy and to work out issues with bargaining units.

- Develop a means for departments to consult with the accommodation program.

(3) Labor Contract Negotiations Process

- Include program managers in any negotiations that impact their programs. Do not tentatively agree until management has been consulted.

- Reduce the number of contracts (65) and bargaining units (85).

- Leverage Executive Branch experience with other branches.

- Provide negotiators with parameters to stay within.

- Move to "Joint Labor Agreement" on common items.

- Have policy and guidelines to assist with "good faith bargaining."

- Encourage departments to be proactive when thinking about items for bargaining.

- Develop a system which combines contracts and MOU's in a way that facilitates research of contract information.

(4) Labor Contract Administration Process

- Identify a single contract administration point of contact for payroll.

- Retain historical contract information with supporting documentation.

- Develop one central place for all contract administration information. Develop website to assist with interpretation of contracts. For example: how to handle leave by contract; which policy prevails (county code, federal law, union contract, etc.); frequently asked questions; and a help desk to assist with research or answer questions.

(5) Grievance and Disciplinary Administration Process

- Build in another step to resolve grievances which stem from a disciplinary decision before turning over to HRD and getting unions involved. Help department managers / supervisors to understand what is appropriate and what is not appropriate.

- Track grievances at division level to help with making disciplinary decisions.

- Provide consulting services to supervisors and managers.

(6) Performance Appraisal and Merit Pay Process

- Implement a true "Merit Pay Plan". Unhook performance appraisal from merit pay. Merit pay belongs in comp and benefits.

- Develop performance appraisal process which can be used as an effective performance improvement tool.

e. Human Resources

Individual improvement opportunities for the Human Resources business function include the following.

(1) Community Development Process

- Develop a means to build on human resources fundamentals and provide certification for human resources professionals.

- Develop a mentoring program.

- Identify points of contact by human resources function.

(2) Communications Process

- Develop a human resources central Web portal for all human resources information.

- Develop a method to capture and track human resources decision requests.

(3) Quality Assurance Process

- Implement a quality assurance strategy and provide feedback.

(4) Human Resources Information Management Process

- Complete the MSA Standardization project.
- Implement PeopleSoft e-apps.

D. Payroll Business Area

The Payroll Business Area includes those business functions and associated processes related to the payroll processing practices within the county. The specific business functions to be covered were detailed in the project's scope of work. However, it was determined by the county during the initial stages of the assessment effort that it would be more appropriate to include the Reporting business function in each of the other business functions rather than have it stand alone.

The Payroll Business Area functions covered by this project are listed below including an explanation of those functional areas from the project's scope of work that are included in each:

- Timekeeping

    Includes Timekeeping and associated Reporting from the scope of work.

- Payroll Processes and Reporting

    Includes Payroll Processes and associated Reporting from the scope of work.

1. High Level Process Documentation

Exhibit II-12 illustrates the business functions and processes included in the Payroll Business Area. The business functions and processes are represented in a bottom-up format with the individual processes rolling up to the separate functions, and the functions rolling up to the business area.

Exhibit II-12: Payroll Business Area Decomposition
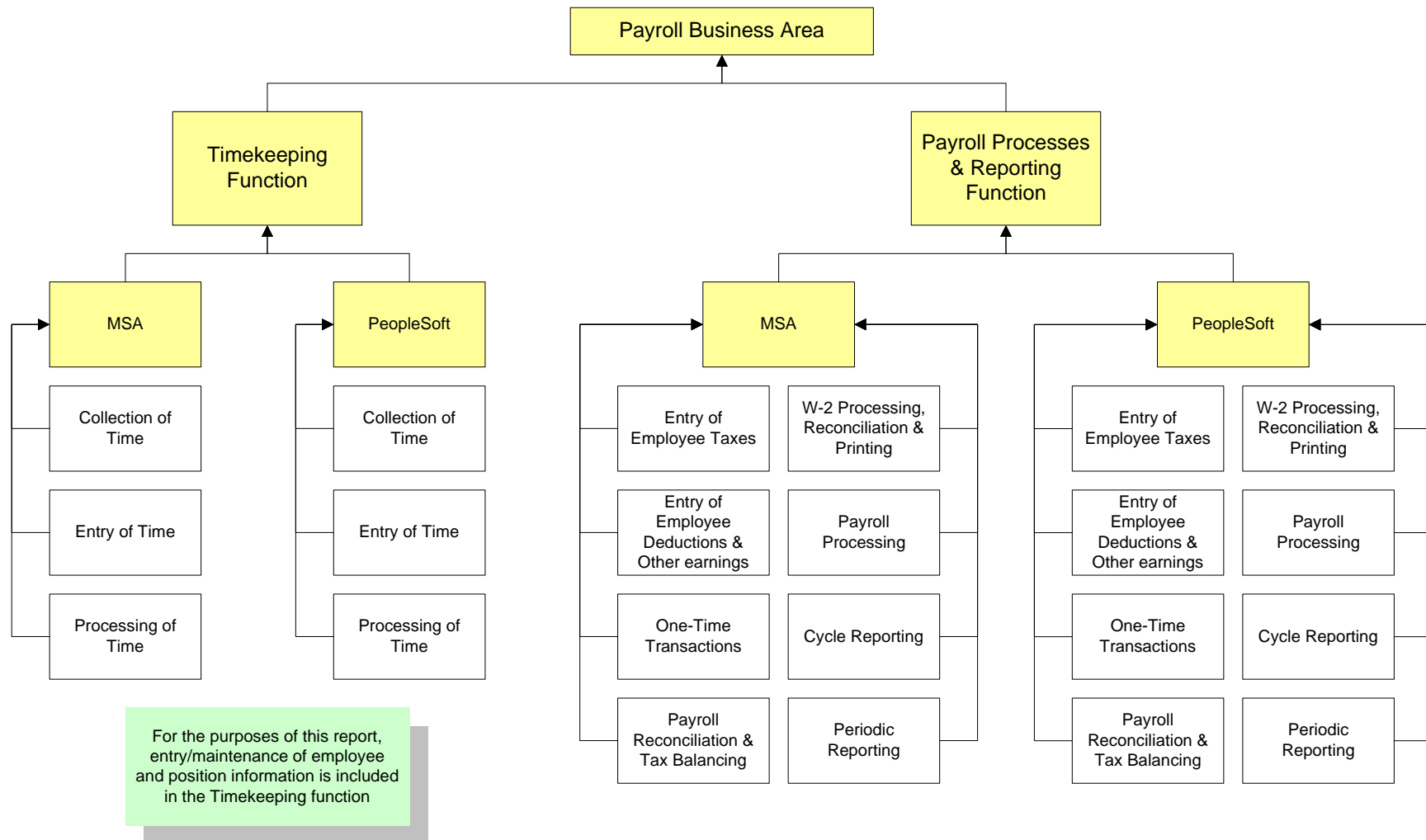
Each Payroll business function and associated business processes are described below. Detailed workflow diagrams for each business process are included in Appendix E.

a.   Timekeeping Function

Timekeeping is the collection of time records for employee payroll transactions in multiple categories for the purpose of data entry into a human resources/payroll system, such as:

- Worked time for payment of compensation, including regular time and additional worked time, such as overtime.

- Leave time paid or leave without pay for time not worked during employees' normal work schedules.

The Timekeeping function is performed by timekeeper classified positions in departments using PeopleSoft, and payroll clerk classified positions in departments using MSA.

The business processes supporting the two human resources/payroll systems vary depending on the capabilities of the individual systems and the logistics involved in their use.

For the purposes of this report, the initial entry and subsequent maintenance of employee and position information has been included in the Timekeeping function, since this information originates from the same source within many departments, and is required to support the recording of employee time.

The business processes of the Timekeeping business function are described below.

(1)   Collection of Time Process

The primary responsibility of the Collection of Time process is the collection of employee time during a given pay period. Only exceptions to regular time are recorded for exempt employees. Hourly employees must report all time. For the purposes of this report, this process also includes the initial entry and maintenance of employee and position information.

(2)   Entry of Time Process

The responsibilities of this process include the entry of detailed or summarized hours for a given pay period into an electronic time capturing system, which in turn is transmitted to the payroll system for processing.

(3) Processing of Time Process

This process describes the use of system facilities to process approved time reported for each employee for a given pay period. The systems supporting the process apply business rules to the data and error correction takes place prior to a payroll generating run of the human resources/payroll system.

b. Payroll Processes and Reporting Function

The processes of this business function are primarily performed by the centralized payroll organizations with the support of departmental human resources/payroll staff, and the benefits administration organization for entry and maintenance of certain employee deductions.

The business processes of the Payroll Processes and Reporting business function are described below.

(1) Entry of Employee Taxes Process

This process covers the initial entry and maintenance of employee W-4/W-5 tax information. Tax information is maintained within each human resources/payroll system.

(2) Entry of Employee Deductions and Other Earnings Process

The responsibilities of this process cover the entry and maintenance of employee benefits, and voluntary and involuntary deductions. Deductions and other earnings information is maintained within each human resources/payroll system.

(3) One-Time Transactions Process

In general, this process handles corrections to previous pay checks including such items as corrections to pay, deductions, taxes, and other earnings.

(4) Payroll Reconciliation and Tax Balancing Process

The Payroll Reconciliation and Tax Balancing process covers the reconciliation of payroll and tax dollars following a payroll generating system execution.

(5) W-2 Processing Reconciliation and Printing Process

The responsibilities of this process include application of current W-2 regulations to the human resources/payroll system, and testing, processing, reconciling, and printing of W-2s.

(6) Payroll Processing Process

This process covers all activities associated with execution of a payroll cycle.

(7) Cycle Reporting Process

The responsibilities of this process include all activities associated with generating and distributing the reports and internal and external data feeds resulting from a payroll generating execution of the human resources/payroll system.

(8) Periodic Reporting Process

The Periodic Reporting Process includes all activities associated with generating and distributing monthly and/or quarterly and/or annual payroll reports and data feeds.

2. Centralized vs. Decentralized Processing Methods

Centralized processes are those processes performed primarily by departments with responsibility for providing services to multiple county departments, i.e., Payroll Ops, ITS Data Entry, etc. Decentralized processes are those performed primarily within a department to meet processing responsibilities.

Exhibit II-13 displays the Payroll business functions by processing type; either centralized, decentralized, or a mixture of both. Following the exhibit is a processing explanation for each business function.

Exhibit II-13: Centralized vs. Decentralized Business Functions

Function	Agency Type	Centralized	Mixed	Decentralized
Timekeeping	MSA		✓	
	PeopleSoft			✓
Payroll Processes and Reporting	MSA	✓		
	PeopleSoft	✓		

a. Timekeeping Function

The Timekeeping function is a mixture of centralized and decentralized processes for departments supported by the MSA system. Time is collected by departments on forms, via department ad hoc systems, and/or via the Payroll On Line (POL) system. Forms are sent to centralized ITS Data Entry for keypunching. Time entry data is validated during MSA system validation runs executed by ITS technical support staff. Validation errors are addressed by centralized Payroll Ops in collaboration with the departments, as necessary. Employee and position information is recorded on forms by departments and sent to centralized HRD for review, approval, and completion. Centralized HRD sends the completed forms to centralized ITS Data Entry for keypunching. Employee and position data is validated during MSA system validation runs executed by ITS technical support staff. Validation errors are addressed by centralized HRD in collaboration with the departments, as necessary.

The Timekeeping function processes are mostly decentralized for departments using the PeopleSoft system. Time is collected by department timekeepers from employees on forms and various department feeder systems. The time data from the forms, as well as initial and maintenance employee and position data, is entered directly into PeopleSoft by the departments.

b. Payroll Processes and Reporting Function

The Payroll Processing and Reporting function is mostly centralized for departments using the MSA system. MSA payroll cycles are executed by centralized Payroll Ops and resulting reports are distributed by centralized Payroll Ops. Internal and external data feeds are generated by the system. System management and support are provided centrally.

The function is also mostly centralized for departments supported by the PeopleSoft system. PeopleSoft payroll cycles are executed by centralized Payroll Ops. Resulting reports are distributed via the county's Intranet. Internal and external data feeds are generated by the system. System management and support are provided centrally.

3. Process Efficiencies, Process Gaps and Process Inefficiencies

Dye Management Group, Inc. conducted a series of focus groups and interviews to identify the strengths, weaknesses, and opportunities in the county's current Payroll business operations model.

The departments, Payroll Ops, and PSSD all play a role in the Timekeeping and Payroll Processing and Reporting business functions. The county has two distinct sets of business processes resulting from having two separate Payroll systems: MSA and PeopleSoft. The MSA system is over 20 years old and runs on the county's

mainframe. Most MSA processes involve paper forms, keyed data entry, and overnight batch processes. PeopleSoft is a modern human resources and payroll enterprise application. Most PeopleSoft processes involve distributed data entry with online edits and online, real time posting processes. These two applications are not integrated and operate on different pay cycle calendars.

Additional findings for Timekeeping and Payroll Processing and Reporting include:

a. Timekeeping Function

Individual findings for the Timekeeping business function by business process include the following items listed by supporting computer system and business process:

(1) MSA – Collection of Time Process

- **Inconsistent payroll processes.** Payroll policy is decided at the department level for certain items; therefore, it is likely to be inconsistent across the county. For example, how should an employee be paid for a partial pay period?

- **Inefficient data maintenance tools.** The use of various forms (leave, labor, etc.) for gathering time within a department is time consuming. It is difficult to consolidate data for the payroll data entry process being used.

- **Inadequate access to data.** It is difficult to obtain employee data in a timely manner as needed for departmental purposes, such as staffing analysis. The spreadsheet provided is considered "horrible" to use. It has caused departments to keep duplicate databases.

- **Inefficient data maintenance.** Employee data updating is a manual, time-consuming, forms-based process.

- **Inefficiencies due to pay cycle.** Semi-monthly cycle causes significant manual effort, particularly when a new employee is hired or when an employee leaves. It requires labor intensive calculations.

- **Inadequate data maintenance tools.** TCEs are manually entered forms that even have carbon copies. They are labor-intensive to use and control.

- **Inefficient transaction transfer.** Forms are transferred to ITS Data Entry by hand. This is an inefficient activity.

- **Inefficient data maintenance.** The entire process surrounding time and employee data entry, approval, validation, and correction is a slow, laborious, error-prone process. The TAD process takes a huge amount of time. This results in delays in time entry and adjustments.

- **Inadequate data maintenance tools.** The TAD form is obsolete. The form is cumbersome and has not been updated to better reflect current processes. TAD data resulting from data entry via PERTEC requires execution through four conversion programs before it is ready for MSA validation.

- **Lack of resources to support contract implementation.** Implementation of nonstandard union contract requirements consumes 25 percent of the ITS resources supporting MSA. This diverts resources from other needed efforts. The 30-day implementation requirement, no matter the amount of nonstandard requirements, causes stress, burnout, and implementation errors.

(2) MSA – Entry of Time Process

- **Inconsistent time entry processes.** Various time entry approaches are used across the county such as blank forms, forms generated by MSA, partial POL, full POL, etc. Error correction is manual and labor-intensive.

(3) MSA – Processing of Time Process

- **Antiquated user documentation**. The payroll manual is out-of-date. It was written in 1970's.

- **Inefficient report distribution**. Reports are transferred to departments by manual pickup. This is an inefficient activity.

- **Ineffective report preparation.** Payroll reports are not received in a sequence/hierarchy that can be immediately employed by the department. Manual sorting is required. In some cases, manual entry into Excel spreadsheets is required. This delays internal distribution of reports or report data.

- **Insufficient access to data.** Departments have a need for a variety of consistent reports for which they have to gather and enter data from other reports/sources manually. Some departments are building their own databases to support this need.

- **Insufficient notification.** Automatic notification of expiration of "out-of-class" pay at least once a month.

- **Insufficient notification.** No notification of "out-of-class" and other temporary pay categories. Generally, these are found out after the fact through payment errors. Manual adjustment results.

- **Lack of system flexibility.** Basic system inflexibilities require manual effort work-arounds. For example, FLSA exempt employees must be

changed at the start of the month. If an employee goes to half-time in the middle of the pay cycle, the employee will still be paid at current level until the next period. This results in manual adjustments to fix. Also, the system requires projecting and paying employees before they work the hours. This results in significant overpayments on a routine basis.

- **Possible liability risk.** Social Security Number is still being used as a unique identifier on labor collection ARMS reports and in time and labor collection input sheets.

- **Lack of access to information.** Some departments get TAD's electronically, while others get hardcopy TAD's and need to enter into department systems manually. At times, this requires temporary help.

- **Inefficient report distribution**. Hours reports are hardcopy. Reports need to be manually copied for distribution.

- **Ineffective report preparation.** Processing of paycheck associated reports is labor-intensive. For example, one department hand-stuffs 1000 envelopes each pay cycle at an estimated cost of $6,000 annually. Also, there is a need to sort checks and merge advices and EFT's manually.

(4) PeopleSoft – Collection of Time Process

- **Inefficient recording and collection.** Completing and gathering of timesheets is a manual process that could be improved.

- **Inefficient modification and request processes.** Modifications /changes to employee information and requests for information must be handled through department timekeepers.

(5) PeopleSoft – Entry of Time Process

- An online process that appears to work well.

(6) PeopleSoft – Processing of Time Process

- **Insufficient ergometrics.** Screen usability could be improved. For example, operator must use mouse or tab to go to next line, not just use Enter key.

- **Lack of defined employee migration process.** Standard defined processes for transitioning an employee from MSA to PeopleSoft (benefits, leave balance, etc.).

b.   Payroll Processes and Reporting Function

Individual findings for Payroll Processes and Reporting business function include the following listed by supporting computer system and business process:

(1)   MSA – Entry of Employee Taxes Process

- See MSA – Entry of Employee Information. The form completion, keypunch data entry, and validation processes are similar.

(2)   MSA – Entry of Employee Deductions and Other Earnings Process

- See MSA – Entry of Employee Information. The form completion, keypunch data entry, and validation processes are similar.

(3)   MSA – One-Time Transactions Process

- See MSA – Entry of Employee Information. The form completion, keypunch data entry, and validation processes are similar.

- **Inefficient one-time transactions.** One-time transactions are primarily manual processes specific to each type of transaction. For example, in the case of manual checks, Payroll Ops performs all deduction calculations manually and physically types the manual check.

(4)   MSA – Payroll Reconciliation and Tax Balancing Process

- **Lack of reconciliation/balancing process.** There are insufficient resources to do payroll reconciliation and tax balancing for each payroll run-through. System control totals are analyzed to ensure the system is in balance.

(5)   MSA – W-2 Processing Reconciliation and Printing Process

- **Limited W-2 reconciliation process.** Reconciliation is done as part of year-end processing. Often errors identified cause changes in both the current and prior year.

(6)   MSA – Payroll Processing Process

- **Lack of resources.** ITS reports "barely keeping our heads above water" on a day-to-day basis. Backlogged maintenance, enhancement, and implementation requests cannot be addressed in a timely manner. According to ITS, MSA recommends one support person for every 2,000 employees supported. With approximately 12,000 employees on

MSA, support headcount should number 6. It is currently 50 percent of recommendation at 3.

- **Inefficient transaction processing.** The MSA software version and platform are antiquated compared to modern human resources/payroll system infrastructures including the latest version of MSA which is Web-based. The "batch processing" environment with forms and keypunch data entry is slow and tedious compared to the processes surrounding modern installations. The county owns the online front-end to MSA, but rollout has been limited to Payroll Ops and Benefits.

- **Inefficient transaction editing.** Human resources and payroll validation runs are executed on specific, limited periods within each pay cycle – Human Resources generally during a four-day period and Payroll during a two to three day period. This results in a logistic challenge for most departments involved.

- **Inefficiencies due to current policies.** Current policies surrounding MSA payroll processing require manual "paper trails" judged to be excessive and time-consuming by process executors.

- **Lack of utilization of available resources.** An MSA Position Control module is owned by the county, but has not been implemented.

(7) MSA – Cycle Reporting Process

- **Inadequate access to data.** Significant numbers of data downloads are generated to departments after each payroll cycle to populate department ad hoc systems because departments are unable to directly access data in MSA. Numerous one-time-only data extract requests are routinely received from departments for the same reason.

- **Inefficient report distribution.** Hardcopy MSA payroll reports are distributed manually from Payroll Ops and from distribution centers to which selected reports for some departments are routed via the use of InfoPak. However, all checks must be picked up at Payroll Ops. This is a manually intensive distribution process.

- **Insufficient data storage capacity.** There is not sufficient data storage capacity to keep reports generated by more than one payroll cycle; this eliminates the ability to regenerate reports that are lost or damaged.

- **Antiquated archiving medium.** Larger MSA payroll cycle reports and archived payroll cycle data is printed to microfiche. Microfiche is an antiquated storage medium and is cumbersome and time-consuming to access.

(8) MSA – Periodic Reporting Process

- See MSA Cycle Reporting.

(9) PeopleSoft – Entry of Employee Taxes Process

- Process appears to work well.

(10) PeopleSoft – Entry of Employee Deductions and Other Earnings Process

- Process appears to work well.

(11) PeopleSoft - One-Time Transactions Process

- Process appears to work well.

(12) PeopleSoft – Payroll Reconciliation and Tax Balancing Process

- Process appears to work well.

(13) PeopleSoft – W-2 Processing Reconciliation and Printing Process

- **Limited W-2 reconciliation.** W-2 reconciliation is done annually requiring error correction for the entire year at one time.

(14) PeopleSoft – Payroll Processing Process

- **Unnecessary transaction cut-offs.** There are cutoffs after which data modifications are not allowed. This can cause adjustments to be made during following pay period. There is no system reason for these cutoffs.

(15) PeopleSoft – Cycle Reporting Process

- Process appears to work well.

(16) PeopleSoft – Periodic Reporting Process

- **Possible unnecessary process.** The month-end reporting for IBIS is time-consuming. Requires database copying and then one to two days to create report/data feed.

4. Cost of Operations

This section provides the costs for the Payroll Business Area. Exhibit II-14 shows the FTE, personnel, and operating costs for each business function. Key cost observations from this data include:

- In 2003, the county spent over $10.4 million to produce payroll payments. This is the aggregate cost for the timekeeping business function and the payroll processing and reporting business function, as well as for the payroll-associated ad hoc systems within the departments. In 2003, the county produced nearly 440,000 payments for a cost per payment of $23.83. A benchmarking study conducted in 2000 by Arthur Andersen for a public sector organization found total payroll cost per paycheck to vary in their benchmark group from a low of $0.24 to a high of $28.28, with a median of $5.52.

- The technical costs for MSA and PeopleSoft were nearly $2.4 million in 2003, for a cost per payment of $5.43. The Andersen study found these costs to vary for their benchmark group from a low of $0.0 to a high of $4.57, with a median cost of $0.47.

- The operating costs allocated to MSA in 2003, are approximately $1.2 million.

- In 2003, the aggregate cost for the county's timekeeping function was approximately $4.5 million. Approximately 60 percent of the county's employees are paid through the MSA system accounting for $2.7 million of the total timekeeping cost.

- The county spends approximately $0.4 million dollars annually on supplemental decision support and reporting activities through development, maintenance and support of departmental ad hoc systems and processes related to accessing and accumulating payroll information.

Exhibit II-14: Payroll Personnel and Operating Costs by Business Function*

Business Function	FTE	Personnel Costs (000)	Operating costs (000)	Total (000)
Payroll Processing and Reporting	60.6	4,780	958	5,737
Timekeeping	62.3	4,526	97	4,623
Total	**122.9**	**$9,305**	**$1,055**	**$10,360**

* Numbers may not "foot" due to rounding

Exhibit II-15 shows the centralized and decentralized FTE and personnel costs. The centralized FTE and costs represent the FTE and costs submitted for the FBOD payroll section and the decentralized costs represent all other departments.

**Exhibit II-15: Payroll Centralized and Decentralized Personnel
Costs by Business Function***

Business Function	Centralized		Decentralized		Total	
	FTE	Costs (000)	FTE	Costs (000)	FTE	Costs (000)
Payroll Processing and Reporting	28.8	2,290	31.8	2,490	60.6	4,780
Timekeeping	.8	62	61.5	4,464	62.3	4,526
Total	**29.6**	**$2,352**	**93.3**	**$6,954**	**122.9**	**$9,305**

* Numbers may not "foot" due to rounding

5. Benefits

The strengths of the county's current Payroll Business Area model include the following:

- The current environment is stable. The Timekeeping and Payroll Processing and Reporting functions are processed successfully. Employees are getting paid.

- The county has successfully rolled out the PeopleSoft Payroll and Human Resource system to a few agencies within the county. The county understands the effort and risks and pitfalls involved with such implementations.

- The county can make tangible comparisons between the MSA and PeopleSoft systems since both are in production within the county. Knowing the benefits, risk, and effort involved to implement PeopleSoft, the county can more accurately determine how many resources should be committed to MSA system improvements and support.

6. Constraints

Existing constraints to the county's current Payroll Business Area model include the following:

- Organizational constraints include:

  - Limitations in available staff and funding prevent the implementation of process and system improvements.

  - Agency resources must maintain payroll information, since the current environment can not meet their tracking and reporting needs.

  - Payroll Ops and PSSD must manage two separate payroll systems and pay cycles.

–   MSA support staff can not incorporate upgrades to the MSA payroll system, since all resources are burdened with implementing complex labor contract changes to meet the 30-day implementation ordinance.

- Legal constraints include:

  –   The system must accurately represent salaries, benefits, and deductions to outside agencies including State and Federal agencies.

- Labor relations constraints include:

  –   Labor union job classifications must be reevaluated when an employee's job description changes.

  –   Labor unions must be involved when payroll or time reporting processes change.

  –   Changes to labor contracts must be implemented in 30 days per the 30-day implementation ordinance.

- Policy constraints include:

  –   The current Payroll Business Area must adhere to fiscal policy, payroll and personnel guidelines, privacy, confidentiality, and security standards.

7.   Performance Measures

The Payroll Business Area is managed by the Finance and Business Operations Division which tracks the following activities as part of a countywide initiative for performance measurement:

- Percent of revenue distributed on day of receipt.

- Percent of revenue deposition on day of receipt.

- Average point yield above market return.

- Manual checks issued as a percent of total checks issued.

8.   Role of Technology

The primary support for the Payroll Business Area is provided by two human resources/payroll applications. Some departments are exclusively supported by MSA and some exclusively by PeopleSoft. In addition, the county has departments supported by both applications.

Numerous department ad hoc applications have been developed to meet department-specific payroll and timekeeping needs, especially in those departments supported by MSA. These applications are populated by regular feeds from the human

resources/payroll systems and/or by the manual entry of information contained on hardcopy human resources/payroll reports or special data extracts produced by ITS.

9. Common and Differing Processes

Common processes are those performed by departments in relatively similar fashion despite being supported by different human resources/payroll systems. Differing processes are those performed differently by departments due to being supported by different human resources/payroll systems.

Exhibit II-16 displays the Payroll business functions by processing type; either centralized, decentralized, or a mixture of both. Following the exhibit is a processing explanation for each business function.

Exhibit II-16: Common and Differing Processes - MSA vs. PeopleSoft

Function	MSA	PeopleSoft
Timekeeping	*Collection of Time*	*Collection of Time*
	For time collection, the departments gather time on forms, via department ad hoc systems, and/or via the Payroll On Line (POL) system. Forms are sent to ITS Data Entry.	For time collection, departments gather time on forms and/or department ad hoc systems.
	For employee, taxes and position information, forms are completed and sent to HRD for approval and completion, then HRD sends the completed forms to ITS Data Entry.	For employee and position information, departments gather information on forms and/or department ad hoc systems.
	Entry of Time	*Entry of Time*
	For time entry, the forms sent to ITS Data Entry are keypunched into the PERTEC system. The time data entered into department ad hoc systems is transferred to the POL system and, along with time data entered directly into the POL system, is run through a POL validation run which generates validation reports. Errors are addressed by the departments.	For entry of time, departments enter data directly into the PeopleSoft system. PSSD performs error correction.
	For employee and position information, the forms sent to ITS Data Entry are keypunched into the PERTEC system.	For employee and position information, departments enter data directly into the PeopleSoft system. PSSD performs error correction.

Function	MSA	PeopleSoft
	Processing of Time	***Processing of Time***
	For processing of time, the time entry data from the PERTEC system and the time entry data from the POL system is input to an MSA system payroll validation run which produces a payroll validation report. Errors are addressed by Payroll Ops.	For processing of time, PeopleSoft files are updated with time data periodically during the pay cycle.
	For processing of employee, taxes and position information, the employee and position information from the PERTEC system is input to a MSA TAD validation run which produces a TAD validation report. Errors are addressed by HRD.	For employee and position information, PeopleSoft files are updated with employee and position data periodically during the pay cycle.
	Validated MSA input data is accumulated in the MSA system for the next payroll cycle execution of the MSA system.	
Payroll Processes and Reporting	***Entry of Employee Taxes***	***Entry of Employee Taxes***
	For the purposes of this report, entry of employees taxes has been included in the Timekeeping processes detailed above.	Employees send completed forms to Payroll Ops. Payroll Ops enters form data directly into the PeopleSoft system.
	Entry of Employee Deductions and Other Earnings	***Entry of Employee Deductions and Other Earnings***
	Benefits Deductions: Deduction data is entered directly into MSA via MSA online capabilities by Benefits Administration.	Benefits Deductions: Deduction data is entered directly into the PeopleSoft system by Benefits Administration.
	Voluntary Deductions: Deduction data is received by Payroll Ops via forms or electronic data loads from employees, unions, and program administrators.	Voluntary Deductions: Deduction data is received by Payroll Ops via forms or electronic data loads from employees, unions, and program administrators. Payroll Ops enters form data directly into the PeopleSoft system. PSSD enters electronic data loads into the PeopleSoft system.
	Involuntary Deductions: Requests are received by Payroll Ops who complete appropriate forms.	Involuntary Deductions: Requests are received by Payroll Ops who enter the request data directly into the PeopleSoft system.
	Completed forms are sent to ITS data entry for keypunching into the PERTEC system. Data from the PERTEC system and electronic load data is input to a MSA validation run which produces a validation report. Errors are addressed by Payroll Ops.	

Function	MSA	PeopleSoft
	One Time Transactions	***One Time Transactions***
	Requests are prepared by various sources and sent to Payroll Ops. Payroll Ops validates requests. In many cases, adjustments are calculated manually and adjusted pay checks are typed manually. Adjustment forms are completed by Payroll Ops.	Requests and electronic data feeds are prepared by various sources and sent to Payroll Ops. Payroll Ops validates requests and enters adjustments directly into PeopleSoft.
	Completed forms are sent to ITS data entry for keypunching into the PERTEC system. Data from the PERTEC system is input to a MSA validation run which produces a validation report. Errors are addressed by Payroll Ops.	
	Payroll Reconciliation and Tax Balancing	***Payroll Reconciliation and Tax Balancing***
	This process is not performed for the MSA system on a payroll cycle basis.	Payroll Ops and PSSD perform this process upon completion of each PeopleSoft payroll cycle. It is a manual process supported by PeopleSoft cycle reports and spreadsheets. Results are transmitted Benefits Administration, Transit, Finance, and Cash Management.
	W-2 Processing, Reconciliation and Printing	***W-2 Processing, Reconciliation and Printing***
	Application of current W-2 regulations to the MSA system and W-2 testing are performed by ITS, with approval provided by Payroll Ops. Processing, reconciling, printing and mailing of W-2's is managed by Payroll Ops with support of ITS.	Application of current W-2 regulations to the PeopleSoft system and W-2 testing are performed by PSSD, with approval provided by Payroll Ops. Processing, reconciling, printing and mailing of W-2's is managed by Payroll Ops with support of PSSD.
	Payroll Processing	***Payroll Processing***
	A series of data validation runs are executed during the pay period to validate personnel and time entry transactions prior to a payroll cycle run. The payroll cycle run is executed by Payroll Ops and performed by ITS.	The payroll cycle run is executed by Payroll Ops and supported by PSSD.

Function	MSA	PeopleSoft
	Cycle Reporting	*Cycle Reporting*
	A payroll cycle execution generates checks, associated reports, and electronic data feeds to a variety of internal and external organizations. The checks are picked up manually by the departments from Payroll Ops. The reports are also picked up manually from Payroll Ops except in the case of some departments that pick up manually from central distribution points in other locations. The data resulting from a MSA payroll cycle run is shared with the ARMS financial system via electronic data feed.	A payroll cycle execution generates checks, associated reports, and electronic data feeds to a variety of internal and external organizations. The checks are picked up manually by the departments from Payroll Ops. The reports are supplied electronically to departments via the county's Intranet. The data resulting from a PeopleSoft payroll cycle run is shared with the IBIS financial system via electronic data feed.
	Periodic Reporting	*Periodic Reporting*
	Generates and distributes monthly, quarterly, and annual payroll reports.	Generates and distributes quarterly and annual payroll reports. Also, the PeopleSoft system generates month-end reports to the IBIS financial system when pay periods split months.

10. Opportunities for Improvement

One objective of the focus group sessions was identification and analysis of opportunities for improvement of current processes. The opportunities identified by focus group attendees are listed below by computer system and process within function. Analysis details are located in Appendix E.

a. Timekeeping Function

Individual improvement opportunities for the Timekeeping business function include the following:

(1) MSA – Collection of Time Process

- Design and implement standardized payroll policies across the county.

- Design a comprehensive, single timesheet for departmental use.

- Provide an electronic interface to employee data in the payroll system or some form of electronic employee data download at the end of each pay period. This will expedite loading employee data into department ad hoc systems.

- Link departments directly to the payroll system for access to and update of employee data. This will help eliminate the "forms" process.

- Eliminate the semi monthly cycle, possibly through a conversion to another human resources/payroll system.

- Develop electronic TCE forms linked to the payroll database with full editing capability.

- Provide for electronic transmission of forms for processing.

- Eliminate the inefficient processes surrounding time and employee data entry, by upgrading to the latest online, real-time version of MSA or converting to another more efficient human resources/payroll application.

- Eliminate hardcopy TAD forms. Revise TAD form data and provide online capability for TAD data entry and transmission.

- Consider making the timing of the implementation of nonstandard contract provisions a negotiable contract provision based on the reality of the resources available. Pre-contract review by parties charged with implementation based on past metrics seems to be a solution requirement.

(2) MSA – Entry of Time Process

- Develop a single, universal, Web-based time entry system with full editing capabilities. Integrate with the payroll system database. This capability will be used by all departments.

(3) MSA – Processing of Time Process

- Update the payroll manual to reflect current policies and procedures, as well as modified system capabilities.

- Provide for electronic transmission of reports to departments.

- To facilitate sorting and loading to departmental systems, provide alternative data formats for each report transmitted electronically, for example, standard report format, Excel spreadsheet, and raw data.

- To allow production of departmental internal reports, link departments to the payroll system database for online query and data download purposes.

- Provide departments with online standard (canned) query capabilities against the payroll system database for cross-department needs such as temporary pay category expirations, payroll year-to-date data, etc.

- Eliminate system inflexibilities, by upgrading to the latest online, real-time version of MSA or by converting to another more efficient human resources/payroll application.

- Provide for an identifier other than Social Security Number. Eliminate the appearance of SSN on any printed report and provide sufficient security to limit its access on any online report.

- Provide electronic TADs to all departments in alternative data formats. For example, standard report format, Excel spreadsheet, raw data.

- Provide electronic hours reports to all departments in alternative data formats. For example, standard report format, Excel spreadsheet, raw data.

- Eliminate the manual effort associated with sorting, merging, and distributing paycheck related reports by collating at Payroll Ops and mailing directly to the employee's home.

(4) PeopleSoft – Collection of Time Process

- Implement employee/management self-service to reduce timekeeper effort. However, this effort could not be eliminated completely since significant portions of the county's workforce do not have access to computers. For those employees without computer availability, gather time at satellite locations.

(5) PeopleSoft – Entry of Time Process

- No opportunities for improvement identified.

(6) PeopleSoft – Processing of Time Process

- Determine if keyboards can be reprogrammed or if PeopleSoft can be reconfigured to support keystrokes familiar to users.

- Develop comprehensive standards and procedures for migrating an employee from MSA to PeopleSoft.

b. Payroll Processes and Reporting Function Process

Individual improvement opportunities for the Payroll Processes and Reporting business function include the following:

(1) MSA – Entry of Employee Deductions and Other Earnings Process

- See Entry of Employee Information. The form completion/keypunch data entry/validation process is similar.

(2) MSA – One-Time Transactions Process

- See Entry of Employee information. The form completion/keypunch data entry/validation process is similar.

- It is reported that the MSA system has a capability to produce manual check; however, this feature has not been implemented.

(3) MSA – Payroll Reconciliation and Tax Balancing Process

- Acquire sufficient resources to accomplish reconciliation and tax balancing for each pay cycle.

(4) MSA – W-2 Processing, Reconciliation, and Printing Process

- Acquire sufficient resources to accomplish reconciliation and tax balancing at the end of each pay cycle.

(5) MSA – Payroll Processing Process

- Provide sufficient ITS resources to effectively support the MSA system and its customers.

- Interim improvement can be gained by implementing the online capabilities of MSA to the MSA user organizations. A long-term improvement would be to upgrade to the latest MSA Web-based version and associated technical infrastructure.

- Execute human resources and payroll validation runs every night.

- Research the necessity of "paper trails" with an eye on eliminating as many as possible. As well, communicate the justification for those considered to be necessary to employees who are charged with their creation to improve job satisfaction.

- Review the reasons for non-implementation of MSA Position Control, and implement if justified.

(6) MSA – Cycle Reporting Process

- Develop Web-based payroll reports similar to those provided to departments by PeopleSoft including alternative data formats, i.e., standard report format, Excel spreadsheet, and raw data.

- Improvement could be realized by routing all payroll cycle reports via InfoPak to local distribution centers, but a better solution is described in the bullet above.

- Conduct an analysis of the optimum payroll cycle reporting generations necessary to effectively support customer requests based on past demand, and acquire sufficient data storage upgrades to accommodate this demand.

- Migrate from using microfiche for large payroll cycle reports and archiving purposes, to a more user-friendly and storage-friendly medium, i.e., CD-ROM, DVD or fiber-optic disks.

(7) MSA – Periodic Reporting Process

- See MSA Cycle Reporting Process.

(8) PeopleSoft – Entry of Employee Taxes Process

- No opportunities for improvement identified.

(9) PeopleSoft – Entry of Employee Deductions Process

- No opportunities for improvement identified.

(10) PeopleSoft – One-Time Transactions Process

- No opportunities for improvement identified.

(11) PeopleSoft – Payroll Reconciliation and Tax Balancing Process

- No opportunities for improvement identified.

(12) PeopleSoft – W-2 Processing, Reconciliation, and Printing Process

- Perform W-2 reconciliation on a quarterly basis to catch W-2 problems early and, therefore, reduce correction effort and avoid potential disaster.

(13) PeopleSoft – Payroll Processing Process

- Eliminate or reduce cut-offs to allow transactions to be entered until payroll run is executed.

(14) PeopleSoft – Cycle Reporting Process

- No opportunities for improvement identified.

(15) PeopleSoft – Periodic Reporting Process

- No opportunities for improvement identified.

E. Budget Business Area

The Budget Business Area includes those business processes and functions related to developing and maintaining the operating and capital budgets for the county. The budget functional areas covered by this project are:

- Budget preparation.
- Budget processing.
- Budget revisions.
- Budget analysis, including capability to distinguish between local and regional.
- Budget reporting, including variance reporting and historical analysis.

The assessment in the Budget Business Area was conducted through two focus groups – one for Operating Budget and a second for Capital Budget. The budget business functions listed above were covered in each focus group. Four major business processes were defined for the Budget Area. They are:

- Operating budget development.
- Operating budget maintenance including allotments, quarterly reports, quarterly omnibus ordinance, body of work, payroll reconciliation, and other annual tasks.
- Capital budget development.
- Capital budget maintenance including CIP reconciliation.

1. High-Level Process Documentation

Exhibit II-17: Budget Activity Decomposition illustrates the business processes included in the Budget Business Area. The Activity Decomposition Diagram is a hierarchical depiction of a business area's logical functions and processes. Business functions and processes are represented in a top down format, with each level showing

more detail than the one above it. The business processes appear once at each level, and are aggregated at higher levels by functionality.

a.   Operating Budget

The operating budget includes budget development, budget maintenance, and other processes. More detailed flowcharts and process tables are included in Appendix B.

Exhibit II-17: Budget Activity Decomposition
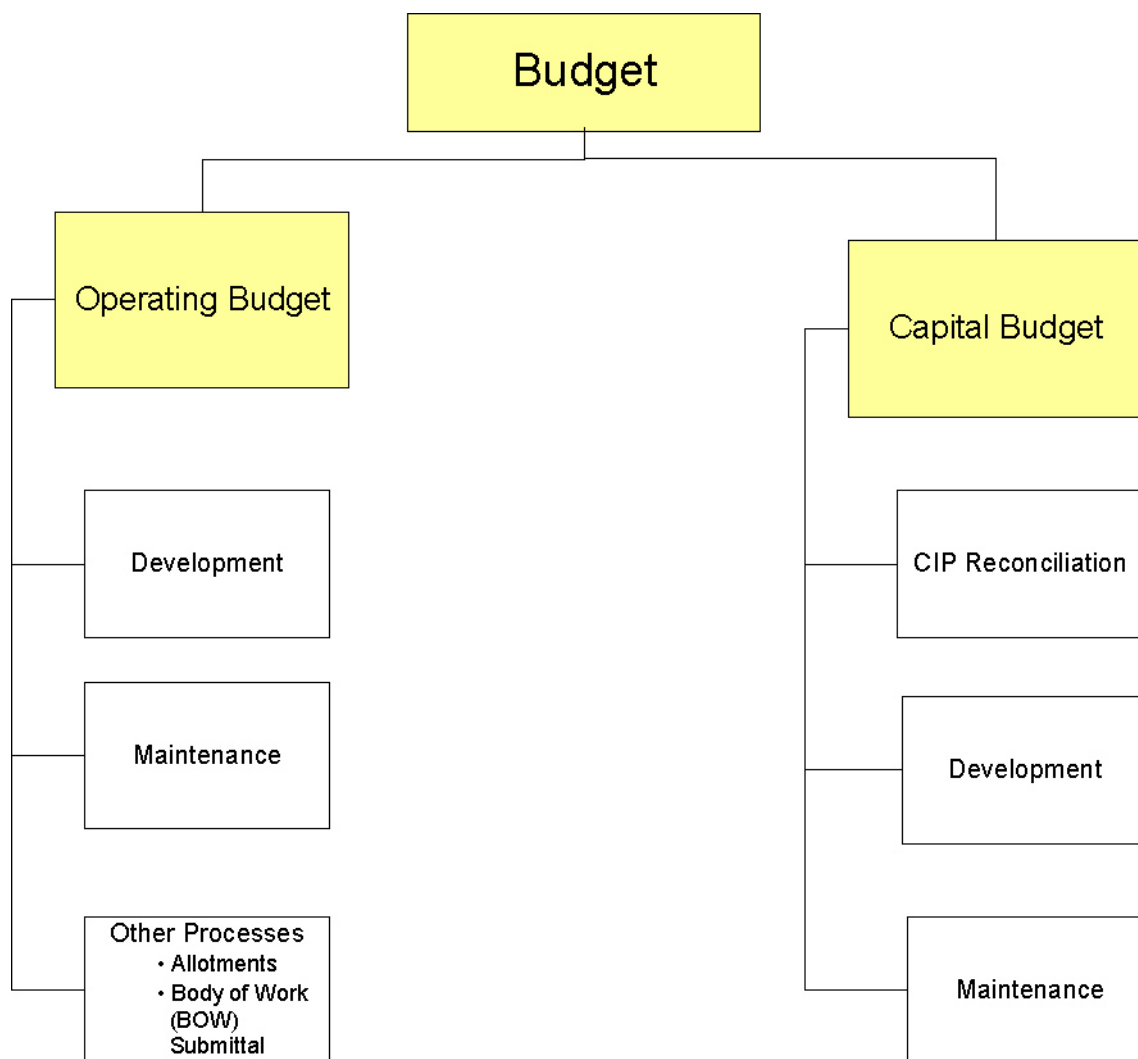
(1) Budget Development

The budget development process for operating budgets is the process through which the budgets for the year are requested, analyzed, and approved. The operating budget includes expenditures for personnel, supplies, and services needed to operate the county's programs. Budget development business processes include:

- Performing strategic planning and financial forecasting.
- Develop beginning status quo financial plan including out year impacts based on revenue and economic assumptions.
- Initialize the budget preparation database (Essbase).
- Preparing preliminary status quo (PSQ) budget.
- Preparing budget request for submittal.
- Reviewing department budget submittals.
- Supplying additional information and justifications.
- Preparing budget ordinance, database, and legislation.
- Transmitting to council.
- Reviewing budget, holding hearings, and adopting budget.
- Responding to council requests.
- Signing budget.
- Implementing adopted budget.
- Loading budgets to financial systems.

(2) Budget Maintenance

The budget maintenance process includes development of the quarterly omnibus ordinance (supplemental budgets). It also includes the annual carryover of budget based on outstanding purchase orders supported by budget encumbrances. Budget Maintenance business processes include:

- Processing encumbrance carryover.
- Approving budgets for carryover.
- Preparing budget submittals.
- Reviewing budget status during the year.
- Reviewing supplemental ordinances and sending to Council.
- Approving omnibus budgets.

- Posting supplemental budget revisions to ARMS/IBIS.

- Preparing and transmitting proviso responses.

(3) Other Processes

Other budget processes include the establishment of allotments for the budget year, preparation of the body of work review, reappropriation request review, and payroll reconciliation. The body of work is included here as a budget process because the results of the analysis can identify new budgeted positions that must be established. It overlaps with the Workforce Management process in Human Resources.

b. Capital Budget

(1) CIP Reconciliation

CIP reconciliation is the process through which the ongoing CIP program is reevaluated and carryover budgets and revenues are identified. The process includes closing out projects and funds that are no longer active and adjusting project budgets for under or over expenditure projections.

- Prepare CIP reconciliation data (OMB).

- Prepare CIP reconciliation including financial plans (departments).

- Review CIP reconciliation (OMB).

- Submit ordinance to Council.

- Pass ordinance.

- Implement CIP ordinance.

- Input CIP revenue data.

(2) Capital Budget Development

The budget development process for capital budgets is the process through which the budgets for the six-year CIP are requested, analyzed, and proposed by the Executive for Council approval.

- Initiate CIP budget process (OMB).

- Prepare budget request for submittal (departments).

- Review department budget submittals.

- Supply additional information and justifications.

- Prepare budget document.

- Transmit to council.

- Review budget and hold hearings.

- Respond to council requests.

- Sign budget.

- Implement adopted budget.

- Load budget.

(3) Capital Budget Maintenance

The budget maintenance process includes development of the supplemental budget ordinances. This is the process by which new projects are approved or budget authority is added to or subtracted from an existing project. The maintenance process also includes the midyear CIP reconciliation to identify and adjust if necessary the carryover amount for CIP funds.

- Process encumbrance carryover and budget carryover (Finance Department).

- Prepare budget and reallocation submittals.

- Prepare omnibus ordinance.

- Review ordinance and send to Council.

- Approve omnibus budget.

- Prepare and transmit proviso responses.

- Tracking CIP program activity.

2. Centralized vs. Decentralized Processing Methods

The budget process contains a mixture of centralized and decentralized processes established by the County Executive through the OMB. The OMB also prepares the budget submittals for approval using information provided by the departments. The budget is approved by the County Council and the County Executive.

The departments spend significant effort preparing the budget requests and justifying them during the approval process. Exhibit II-18 presents an estimation of the degree that processes are centralized versus decentralized.

Exhibit II-18: Centralized vs. Decentralized Processes

Function/Process	Centralized	Mixed	Decentralized
Operating Budget Development		✓	
Operating Budget Maintenance	✓		
Other Budget Processes		✓	
CIP Reconciliation		✓	
Capital Budget Development		✓	
Capital Budget Maintenance			✓

The reasons for a business process being centralized or decentralized can be summarized as:

- Practices were adopted based on the systems as they were implemented.

- Processes have evolved over time.

- Processes have changed to reflect management styles and priorities.

- Changes have been implemented to address internal and external mandates and policies.

- Differences in processes throughout the county are a result of the merger.

- **Operating Budget Development** – The OMB prepares the budget instructions, which include policy direction and revenue assumptions. The focus is on current expense fund (CX) budget, although the budget process for funds with dedicated revenues follows the same format and process. The agencies submit their requests and the OMB prepares the budget submittals and the ordinance. The OMB also initiates, manages and completes loading the adopted budget into ARMS and IBIS.

  (Note: Public Health develops a very detailed operating budget using their mainframe budget system. This is a significant decentralized effort.)

- **Operating Budget Maintenance** – Supplemental omnibus budget ordinances are prepared quarterly by the OMB to address supplemental budget needs. Provisos are responded to separately in transmittals to Council based on designated reporting dates identified in the adopted budget ordinance. This process also includes the encumbrance carryover process. This effort is performed by Finance and the agencies. The approvals for the appropriation carryover are processed by the OMB.

- **Other Budget Processes** – The allotment process is conducted primarily by the OMB. The body of work, payroll reconciliation and reappropriation process, requires significant department analysis supported by the OMB and Human Resources.

- **CIP Reconciliation** – The OMB manages the CIP reconciliation and provides forms with prior year revenues and expenditures to the departments. The departments do the analysis on their current carryover and new projects and use this information to develop the Financial Plans for each CIP fund. The OMB reviews the department information and develops the ordinance for the budget carryover adjustments and reappropriation of Current Expense and Criminal Justice capital project revenue backing.

- **Capital Budget Development** – While the OMB manages capital budget development, much of the work is done in the departments. The departments prepare a capital plan for a six-year period. From this plan, the departments identify the budget amounts to be included in the current budget request and develop the justification for the projects. The OMB consolidates these requests and prepares the budget submittal. Implementing the adopted capital budget for the ordinance may be done by either the OMB or the department.

- **Capital Budget Maintenance** – The five primary maintenance processes are year-end carryover of project budget authority, flexible budgeting reallocation of existing CIP funds between existing projects and years, supplemental budget requests, proviso responses, and tracking of CIP program activity. The carryover process only occurs for ARMS users and is predominantly a centralized process with the departments' review.

  CIP reallocations are initiated by the departments that have flexible budgeting authority in the King County Code. The OMB acts as a conduit for review and transmittal to the Executive and the Council for approval. This part of maintenance is predominantly decentralized and involves only five eligible capital programs as follows: Roads, Solid Waste, Wastewater, Major Maintenance, and Surface Water Management.

3. Process Efficiencies, Process Gaps, and Process Inefficiencies

Dye Management Group, Inc. conducted a series of focus groups and interviews to identify the strengths, weaknesses, and opportunities in the county's current business operations model. This section presents our findings from the focus groups.

a. Operating Budget Development

There is a common overall process for developing the operating budget. However, the details of the process vary depending on the complexity of the department, the funding source (current expense fund versus other funds), and the accounting system the department uses. The OMB uses common systems internally for all operating budgets. There is some query capability for the departments and approximately 65

decentralized users have view only status for using Essbase. Other findings related to the operating budget development process include:

- **Common Budget Preparation Processes** – The budget process uses a base budget methodology and phases are used to develop evolving versions of the proposed budget that will ultimately be transmitted to Council for adoption. An initial financial plan for the general fund is developed from revenue and economic assumptions at the beginning of the year. A range of possibilities are evaluated based on known factors.

- **Organizational Focus on Budgeting** – The current budget structure is focused on an organizational unit for ARMS and cost center for IBIS. Some departments budget by program. Although the county is moving towards a programmatic view, it is not there yet. The county is trying to integrate business planning and budgeting. It is growing into it, but is not there yet.

- **Internal Service Rates** – Developing internal service rates is a challenge. Rates may not generate enough to give the needed level of service.

- **Delays in Forecasting** – There are delays in forecasting because final year-end balances are needed.

- **Focus on ARMS Accounting Hierarchy** – Essbase is focused on the ARMS hierarchy. It provides multidimensional reporting. It has analysis capabilities but capturing the data at more detailed levels is labor intensive. Its focus is to interface the approved appropriations to ARMS and IBIS at the accounting classification level.

- **Limited Analysis Data in Essbase** – Essbase is a multidimensional OLAP database which is good for analysis and allows for different cuts of the data. Since Essbase is a budget preparation application, it does not include actual expenditures and revenues. Budget balance available is controlled in the general ledger (ARMS/IBIS); therefore, the supplemental budget is not recorded in Essbase.

- **Departments Use Side Systems for Budget Development** – Departments have view only access and do not have write access to Essbase. Departments create their own internal systems to prepare budget and compute overhead rates and perform other analyses. Various tools are used for supporting documentation. Agencies use their own internal spreadsheets and Access databases.

- **No Link Between M-Base and Essbase** – The OMB uses M-base as a decision tool during the decision phase of the budget process at the high level appropriation unit. Essbase records the budget and the detail level of accounting classification structural. There is no link between M-base and Essbase. Nor is there a link to the financial plan.

- **Limited Ability for Payroll Analysis** – New tools are needed for the labor cost and usage analysis. The payroll systems currently do not provide data that supports the analysis of labor costs and trends for budget analysis.

- **Inability to Address Analysis for Changing Policy** – Policy choices for solving the ongoing CX budget deficit change each year and are based on the problems to be solved. For example, there was a directional change from the Budget Task Force last year to address various budget policy choices and answer questions on how costs are being covered. The systems do not have the flexibility to support such changes midstream.

- **Need Multiple Data Structures for Analysis** – Other slices of budget information are needed for reporting. The accounting structure for data do not support requested categories and it is labor intensive to organize the data as it is currently collected into the needed categories. Examples of the kinds of reports and queries that are commonly requested include:

  - Services by geographical base.

  - Revenues and services by urban versus rural.

  - Revenues and services by local versus regional.

  - Revenue and services by council district.

  - Mandatory and discretionary revenues and services.

- **Independent Department Budget Systems** – Public Health uses its own budget system to support budgeting by program, organization, and activity. The system is the county's legacy budget mainframe system. It is large and complex but it provides the level of detail that Public Health desires. The summary Public Heath budget is recorded in Essbase as a placeholder; however, adopted budget is loaded to ARMS directly form the Public Health budget prep system.

- **Evolving Performance Measurement** – There is an emerging interest in developing budgets with performance measures. The current effort is being piloted in the Department of Natural Resources. Other departments are in the early stages. There is no link of the budget to performance measures. Executive performance measures are updated quarterly and published on the Web for selected departments. There are challenges implementing this concept countywide since 70 percent of current expense is for separately elected officials who cannot be forced to tie performance measures to budget.

- **Limited Tools to Analyze the Impact of the Adopted Budget** – When the budget is finally adopted by council, the OMB and departments need to review and assess all of the incremental changes between the proposed budget ordinance and the original submittal so that council changes can be reflected in Essbase for loading into the general ledger. Since the Executive

must approve or veto the budget within 10 days after council adoption, there is limited time to perform a thorough analysis of changes. Contributing to the difficulty in completing the analysis is a lack of transparency of the specific changes that were made. Some changes could be misunderstood.

b. Operating Budget Maintenance

The focus of operating budget maintenance is to process budget revisions, in ARMS/IBIS to reflect any supplemental appropriation or reductions in appropriations that occur during the fiscal year. Budget balance available is tracked and quarter budget reports are prepared and sent to the Council. Year-end residual budget balances are considered for carryover either as supported by an outstanding budget encumbrance or via a reappropriation in the second quarter omnibus budget ordinance. An ordinance log is maintained by OMB to confirm that all supplemental budget is properly recorded in ARMS/IBIS. To provide efficient transmittal of supplemental budget requests to council, a quarterly omnibus ordinance is prepared by OMB to consolidate department budget requests into a single ordinance. Exceptions to the quarterly omnibus process are labor contracts and emergencies. Financial plans are reviewed at least quarterly to analyze any emerging issues that may precipitate the need for budget supplemental or some other corrective action.

- **Supplemental Budget is Not Posted to the Budget Database** – Many of the findings for the budget maintenance process are already highlighted in the budget development process above. A key difference is that the budget development tools (Essbase and M-base) are not used to support this process since they are budget preparation tolls and not budget monitoring tools. In the current process, the budget balance available is monitored in the financial systems ARMS and IBIS. Therefore, after the adopted budget is loaded at the beginning of the year, all budget adjustments are posted directly to ARMS or IBIS.

- **Encumbrance Carryover is Labor Intensive** – The automated annual budget encumbrance carryover requires analysis from both departments and OMB. Although the actual carryover is an automated process, it still requires significant manual effort. The automated carryover is only supported in ARMS since it has encumbrance accounting functionality. IBIS does not support encumbrance accounting functionality and therefore the budget carryover for purchase orders and contracts is an entirely manual effort.

c. Other Operating Budget Processes

These processes are indirectly supporting the operating budget development and maintenance processes.

- **Ineffective Allotment Process** – Allotments are calculated at the beginning of the fiscal year and are used to support quarterly variance reporting to Council. The quarterly report process is decentralized using an excel workbook that is accessible by departments via public folders in Outlook. Most allotments are created by dividing the annual appropriations by twelve months, although some departments fine tune their allotments to coincide with their business cycle. Variance reports are produced using the quarterly report workbook.

- **Labor Intensive Body of Work Preparation** – The Body of Work submittal is fundamentally a Human Resources process, but it includes budget and payroll components. The purpose of this process is to identify work performed by temporary staff that should potentially be considered as a permanent body of work. It was developed as a result of lawsuits over the use of temporary employees on long-term assignments. Although there are payroll reports that identify the temporary employees, the analysis work requires a significant manual effort.

d. Capital Budget Development

There is a single process for capital budget development. However, the process is executed differently at the department level depending on their needs, the type of capital projects they manage, and the accounting system they use. The findings for the capital budget process are presented below:

- **Inconsistent CIP Budget Development Processes** – Budget development process is not uniform because it involves multiple systems. The process must be flexible enough to handle individual department needs. Inefficiencies in this process include:

  - IBIS information is converted to an ARMS accounting classification structure for the budget process.

  - Among capital programs there is inconsistent treatment and tracking of sub-projects. In the current financial systems there is a problem rolling back up to the project level after the budget is adopted.

  - IBIS does not use the encumbrance capability. There is a risk of over-committing expenditures.

  - The IBIS system does not have a lifetime budget. It does have life-to-date costs. It does not track the costs back to the original life to date budget.

  - There are rounding issues in ARMS when the budget is posted.

- **Inconsistency Between Annual Budgets and CIP Spending** – Departments have capital master plans that are considered during the budget process. The annual appropriation is a mixture of appropriations for the first

year including the full value of multiyear contracts. It does not reflect what will actually be spent in the first year, only what will be obligated.

- **Visibility on Changes in Scope in Subsequent Years of a Multiyear Project** – Departments have six-year financial plans for project commitments. For projects budgeted over a number of years based on project phase, the OMB emphasis is on the phase budgeted in the first year of the six-year plan. Changes in scope are not easily identified in the budget process. The system does not provide enough information to understand changes to scope. Departments must use other forms to adequately describe the changes and their impact on the capital budget.

- **County Codes for CIP Budget do not Support Asset Preservation** – Condition assessments are done in various ways by departments without central coordination by the OMB. The capital budgeting requirements in the King County codes is inconsistent with preservation of assets. The codes controlling the capital budget process are geared toward newly constructed assets.

- **Ability to Review CIP Data for CX and Dedicated Funding Sources** – The instructions for budget request submittals focus on current expense fund (CX) expenditures and revenues. These instructions are followed by the agencies with dedicated funds but they do not fully meet their unique needs. Other issues related to the information that departments provide for the capital budget include:

  − Due to deadlines, the same department makes up to three submittals for the capital budget. This requires multiple loads of data. Each data load replaces the previous one. The amount of change from one version to the next is not easily determined.

  − There is a large volume of information provided by departments in various formats. It would be easier for budget analysts to see budget information in a consistent structure.

  − Due to the lack of time to process and analyze the submittals, there is a need to make capital budget information submittals as efficient as possible.

  − During the budget submittals review process, there is a need to identify and focus on key requests.

- **Timing of Loading the CIP Appropriation** – Capital appropriations go into effect ten days after the ordinance is signed by the County Executive. Projects can start as soon as the ordinance is signed. The departments may have authority to start the project in December but, because appropriations are tracked by calendar year, the budget for the project is not loaded into the financial system until January or later. Until the capital budgets are loaded, the financial reports will indicate that the department is spending unappropriated funds.

- Some IBIS departments choose to hold loading of budget until prior year carryover is known because the IBIS budget is a replacement rather than a change transaction. By waiting, they can do a single load of the budget from spreadsheets that they prepare.

- In some years, the agencies relied on department-based systems separate from the central accounting system to track the available budget. This is due in part to the inability of IBIS to accommodate incremental changes to project budget authority.

- **CIP and Staff Relationship** – There is not a good linkage between the CIP budget and the staff budgeted for the project from the operating budget. FTE cannot be directly budgeted in the CIP budget. A loan-in/loan-out budget line indicates the total amount of budgeted labor for King County staff. Not all agencies include loan-in/loan-out labor in their capital project budgets and, as a result, are not capturing the full cost of the asset.

- **Multidimensional Analysis of CIP Budgets** – Council members want to know about projects in their districts. The OMB wants to track projects based on revenue eligibility according to location and tax base. During the budget process, departments are asked to identify regional versus local, urban versus rural, and Council district. This information does not carry over into financial reporting. There is a need for the ability to view budget by different dimensions. The county's expanding its use of GIS information with plans to tie to capital assets.

- **Integration of Performance Measures with CIP Budget** – There is a need to interface the recently developed performance management initiative with the capital budgeting and project level tracking. The performance management system measures capital program efforts on an annual basis.

- **Consistent Definition and Reporting for Capital Projects** – There is a need to clarify the definition as to what is or is not capital and implement the definition consistently in budgeting and financial reporting.

e. Capital Budget Maintenance

The budget maintenance process is a difficult, manual process. The needed information resides in various locations. Budget revisions are posted to ARMS and IBIS in different ways. ARMS uses change transactions to update the budget while IBIS requires the total new budget amount to be posted as a replacement of the original budget. Other findings related to capital budget maintenance include:

- **Yearend Carryover of CIP** – At year end, any remaining CIP balance is carried over in ARMS. Adjustments are included later in the CIP reconciliation process. There are limitations to the IBIS carry-over. IBIS does not include functionality to calculate the carryover. The process is done by extracting the

balances, computing the carryover amount, and reloading the capital budget. Because the carryover budget amount overwrites the original balance, departments tend to wait until the capital budget ordinance is passed for new projects so they can load all capital budgets at once.

- **Reallocation and Flexible Funding** – Reallocation allows the departments with flexible budgeting authority to adjust project budgets and to swap project budget authority among years in the six-year plan. Project status is reported in the reallocation process. This information is to be reported to Council in April and May.

  − There is a reallocation process in development to adjust capital project budgets.

  − Some funds are going to a flexible funding model where the capital plan is adopted and the departments have the latitude to move projects between years subject to Council approval.

f. CIP Reconciliation

CIP reconciliation determines adjustments to the base budget eligible for carryover. There is a need to validate this process and evaluate alternatives. Occasionally, the CIP reconciliation for the prior year is adopted at or near the time that the budget ordinance is adopted for the following year.

- **Departments Track CIP Balances Manually until the CIP Reconciliation Ordinance is Passed** – If the CIP reconciliation is not passed early enough, departments increasingly rely on a manual budget tracking process rather than upon the accounting system. There is a risk of overspending on projects in which budget authority has been proposed for removal in the CIP reconciliation ordinance.

- **Project status is not available centrally** – Currently, agencies download information from the accounting systems into their own project tracking systems (mostly home grown Access databases). Agencies track status and accomplishments in their own project management subsystems. This qualitative information would provide additional analysis capabilities and foster more accountability by the agencies if it were more widely available or accessible. In order to have adequate monitoring capabilities, the OMB would like more visibility and access to department project information.

- **Workload Issues Between CIP Reconciliation and Flexible Funding** – There is also a growing work process logjam as an increasing number of capital programs are eligible for flexible budgeting authority. At the present time, the CIP reconciliation process and the flexible budgeting process occur at roughly the same time in April and May.

4. Cost of Operations

This section provides the costs for the Budget Business Area. Exhibit II-19 shows the FTE, personnel, and operating costs for each business function. Key cost observations from this data include:

- Budget has the highest department overhead percent of the business areas. The budget overhead percent is 16 percent for budget with an average of 8 percent for all business areas.

- Budget has the lowest operating costs per FTE with and average of $2,162. The average for all business areas is $6,344.

Exhibit II-19: Budget Personnel and Operating Costs by Business Function

Business Function	FTE	Personnel Costs (000)	Operating costs (000)	Total (000)
Operating Budget Development	57.7	5,892	123	6,015
Operating Budget Maintenance	28.9	2,829	93	2,922
Capital Budget Development	13.7	1,356	12	1,368
Capital Budget Maintenance	11.8	1,079	13	1,092
Total	**112.1**	**$11,156**	**$241**	**$11,397**

Exhibit II-20 shows the centralized and decentralized FTE and personnel costs. The centralized FTE and costs are those submitted by the OMB and the decentralized costs represent all other departments.

Exhibit II-20: Budget Centralized and Decentralized Personnel Costs by Business Function

Business Function	Centralized		Decentralized		Total	
	FTE	Costs (000)	FTE	Costs (000)	FTE	Costs (000)
Operating Budget Development	10.6	999	47.1	4,893	57.7	5,892
Operating Budget Maintenance	10.6	999	18.3	1,830	28.9	2,829
Capital Budget Development	1.4	132	12.3	1,224	13.7	1,356
Capital Budget Maintenance	1.3	131	10.5	948	11.8	1,079
Total	**23.9**	**$2,261**	**88.2**	**$8,895**	**112.1**	**$11,156**

5. Benefits

The strengths of the county's current Budget Business Area model include the following:

- The process meets the basic needs to identify policy issues, support budget analysis, and make decisions.

- The current environment is stable. The participants in the process know what they need to do and provide the necessary information to prepare the budget submittals and to get the budget passed.

- The current budgeting tools meet the needs of the OMB for analysis, preparation of the budget submittals, and implementing the adopted budget.

6. Constraints

a. Legal Constraints

Many of the budget processes and dates are constrained by county code and state law.

- There are specific dates in the county code for submittal of the budget and for approval of the budget ordinance.

- The departments are allowed to carry over budgets already committed by purchase orders and contracts with the approval of the Budget Director. This is the basis for the encumbrance carryover process performed in ARMS.

- County code requires the departments to establish allotments. This is done in side systems to meet requirements of Title IV in the county code.

- The voters passed an amendment to the King County charter to allow for biennial budgeting. The charter amendment did not define the specific structure of how biennial budget would be accomplished. The policy has not been developed to implement this change. As a result, all appropriations are established for a one-year period, including capital projects.

- The Body of Work is required as a result of legal action.

b. Labor Relations Constraints

- Technology clauses in some union contracts may need to be addressed.

- Changing business processes will affect existing job descriptions and union contracts.

     c.   **Policy Constraints**

The Executive's Office, including the OMB, set policy for the budget process. The processes are further impacted by Council policy or directives.

- The Council and Council staff tend to look at budgets at a detailed level. When the budget is submitted, a significant amount of detail is submitted with it. The level of detail tends to move the budget analysis below the policy level.

7.   Role of Technology

The OMB and the departments use a range of technology to support the budget process.

- Essbase is the primary central budget prep system. It is a database that provides analysis tools for the budget process. The database is available to the departments for query access. All updates are done in the OMB. Many of the updates are done by importing spreadsheets submitted by the departments. Essbase records the budget at the level of detail needed to load the adopted budget into ARMS and IBIS.

- M-base is an Access database decision toll that tracks the budget at the appropriation level. M-base is used to prepare the proposed budget book and ordinance. The OMB M-base data base is provided to Council during the budget review phase. Council then uses M-base to track changes to the adopted budget and to prepare the Council adopted budget book. This database does not directly integrate with Essbase, so any changes must be applied to both.

- Public Health continues to use the county's legacy budget system to develop its department-level budget. The Public Health budget is more detailed than the countywide budget. The Public Health process differs from other departments that develop detailed budgets using side systems. The total budget for Public Health is recorded in Essbase as a placeholder and the detail is loaded into ARMS from the legacy budget system.

- Departments maintain side systems to develop their budgets and to conduct analysis. These systems are usually a combination of Access database and spreadsheets. Some take copies of the Essbase database as a starting point. Some also download historical information from the financial systems.

- The capital budget process uses CIP base to formulate the capital budget. This Access database provides the detail and backup information for the capital program based on the department CIP requests. The CIP budget is entered into Essbase and M-base as a placeholder.

8. Common and Differing Processes

The discussion of common and differing processes for the Budget Business Area focuses on processes that differ because of two financial systems. Common processes are those performed by departments in a relatively similar fashion regardless of the financial system used. Differing processes are those performed differently by departments based on the different capabilities and functionality provided by the financial systems.

Exhibit II-21 displays the budget business functions and processes with an explanation of the tasks by processing type: either centralized, decentralized, or a mixture of both.

Exhibit II-21: Common and Differing Budget Processes - ARMS vs. IBIS Users

Function	Process	Common Processes	ARMS Users	IBIS Users
Operating Budget	Development	Most processes are performed the same regardless of the financial system. All departments follow the same submission and approval processes.	Since Essbase uses the ARMS coding structure, no conversion is necessary.	The budget process also uses IBIS coding structure. Essbase interfaces the adopted budget to IBIS to implement the adopted budget.
	Maintenance	The budget maintenance processes tend to be the same regardless of the financial system used. Budget balance available is monitored in the financial systems; therefore, in both cases the budget revisions are posted to the financial system and not to Essbase.		
	Other Processes		Encumbrance carry-over is an automated ARMS process. The supporting budget is also carried over.	Once a purchase order or contract is established in IBIS, it does not need to be carried over at year end. Identifying the budget carryover amount to support the outstanding

Function	Process	Common Processes	ARMS Users	IBIS Users
				purchase orders and contracts is a manual process. Any budget adjustments must be manually posted.
Capital Budget	CIP Reconciliation	The basic CIP reconciliation process follows the same steps regardless of the financial system the department uses.	ARMS CIP balance available is automatically carried over to the new year. Changes to the budget are made as an incremental change (the amount of change is posted).	There is no automatic carry-over in IBIS. The project balance is downloaded to department systems (spreadsheets or Access). Once the analysis is done, the new budget amount is uploaded via a flat file interface. The new project budget amount replaces the current amount.
	Development	The basic CIP development process follows the same steps regardless of the financial system the department uses. Much of the focus is on the capital program rather than project accounting.	Adopted budget is electronically interfaced into ARMS.	The departments record the adopted budgets in spreadsheets and upload the budget as described for CIP reconciliation. Departments tend to combine the adopted budget with the carry-over amount because the new amount replaces the original amount.
	Maintenance	Same as development.	Budget revisions are posted as an incremental change transaction so that all adjustments to budget are detailed in the ARMS system.	The new budget amount replaces the original amount so that **no** detail trail of budget adjustments is available as an audit trail.

9. Opportunities

As a result of the analysis and industry best practices for operating and capital budgeting, Dye Management Group, Inc. developed the following opportunities that could improve the county's practices.

a. Shared Opportunities

These opportunities could be implemented for either the operating budget process or the capital budget process.

- Create common processes for the capital and operating budgets that address all stages in the budget process (planning, development, adoption, and implementation). The processes should share information between the OMB, departments, and Council while providing necessary security and confidentiality. This opportunity would provide for:

  − Efficiency from all staff using a single system.

  − Reduction of redundant data entry.

  − Better understanding of the budget process.

  − Consistent information at all levels of budget development.

  − More time for budget analysis and policy decision-making.

- Provide automation for the common processes including the ability to develop detailed budgets at the department level and automatically summarize totals for management presentation and analysis. Essbase can do this. The detail is not updated until the budget director has approved the budget at a summary level. Additional research will be needed to determine the balance between the value of current analytical information and the effort required to update the detail. Also provide characteristics to allow the budget information to be sorted and summarized to address specific queries and analysis. This opportunity would:

  − Eliminate redundant entry of data at different levels.

  − Eliminate unique departmental systems and databases for budget development.

  − Provide better visibility as to the changes at each stage.

- Distribute data entry with online edits and security. This opportunity would:

  − Reduce paperwork.

  − Provide more timely data entry.

- Eliminate redundant data entry.

- Allow departments to submit changes on a day-to-day basis.

- Provide the opportunity to check assumptions and numbers by inputting the budget requests early in the process.

• Provide electronic access to reports and report data. This opportunity would:

- Eliminate re-keying of data.

- Reduce central printing costs.

- Require fewer custom reports by developing flexible standards that would allow departments to filter and sort data to meet their needs.

- Eliminate need to maintain side systems.

- Provide a time savings to get to information.

- Promote standardization.

b.   Operating Budget Opportunities

These opportunities are specific to the operating budget process.

• Provide better integration of budget with actual expenditures and revenues. This opportunity would:

- Simplify reconciliations.

- Provide better policy decisions.

- Provide visibility on available budget.

- Avoid double entry.

• Support budgeting preparation at appropriation and detail levels depending on departmental needs. This opportunity would:

- Allow agencies to maintain a single budget that meets their needs (the department budget also needs to meet the needs of Executive and Council).

- Eliminate side systems.

- Allow single entry into budget.

- Support production of budget ordinance.

• Implement activity-based costing. This opportunity would:

- Identify the full cost including overhead.

- − Allow activities to be prioritized for budget analysis.

- − Provide the ability to compare costs with other governments and outside service providers.

- Systematically involve the public in the budget process. This opportunity would:

  - − Ensure that the public's priorities are systematically considered in the budget process.

  - − Expand the public's buy into the priorities and the supporting budget.

- Improve expenditure and revenue planning. This opportunity would:

  - − Provide better estimates of rate of expenditures collections through the year.

  - − Provide better estimate of rate of revenue collections.

  - − Provide better variance reporting.

  - − Improve cash forecasting.

  - − Improve investment opportunities.

- Implement biennial budgeting. This opportunity would:

  - − Reduce overall budget preparation effort – especially for small agencies with limited resources.

  - − Provide a longer planning horizon.

  - − Allow departments to consolidate moneys from first year and second year to create a larger pool for specific initiatives (such as technology upgrades).

- Expand performance measurement. This opportunity would:

  - − Improve the ability to identify efficiencies.

  - − Improve service quality.

  - − Provide the ability to more precisely communicate the result of budget expenditures.

c. **Capital Budget Opportunities**

These opportunities are specific to the capital budget process.

- Implement a countywide project tracking process that includes both quantitative and qualitative information on project status, budget, schedule, scope, and quality. This opportunity would:

    − Eliminate inefficiencies and inconsistencies produced by dual ARMS/IBIS project accounting processes.

    − Provide more flexibility to departments.

    − Allow action to be taken earlier to avoid project schedule or budget overruns.

    − Provide the ability to coordinate effort for projects in similar areas.

- Enhance capital budget information (justification, total cost of ownership) and facilitate better sharing of information between the OMB, departments, and Council. This opportunity would:

    − Provide more qualitative project information to the Council and the budget process.

    − Efficiently and effectively deliver information.

    − Provide for a better use of resources.

    − Provide additional information for decision-making.

    − Facilitate better program decisions across the county through better coordination of multi-department issues (where one project impacts another department).

    − Provide visibility of new projects.

    − Improve the efficiency of the CIP reconciliation and attempt consolidation with growing flexible budgeting workload.

- Create appropriations for the life of multiyear capital projects. This opportunity would:

    − Eliminate the need to do budget carryovers for CIP projects.

    − Reduce confusion on budget versus expenditures for contracts signed but not performed.

- Link labor information from the operating budget to capital projects. This opportunity would:

- − Provide visibility of labor costs applied to capital projects (big part of county costs).

- − Identify dollars and FTE's applied to CIP at a high level (by class).

- − Provide more accurate costs of projects.

- Implement a countywide asset management approach. This opportunity would:

  - − Maintain value of the asset rather than replace it.

  - − Achieve lowest life cycle costs for capital facilities.

  - − Provide a prioritization method for major maintenance and preservation projects.

  - − Provide a better return on investment for taxpayer resources (stewardship).

  - − Support GASB 34 compliance.

- Establish a countywide approach to capital planning. This opportunity would:

  - − Provide the ability to better anticipate and prioritize capital improvement needs.

  - − Reduce effort through the use of common tools.

  - − Provide more flexibility in resource utilization. Staff trained in the capital planning process in one organization could be loaned to another organization to provide additional help.

  - − Increase employee mobility. Staff trained in the common capital planning process could more easily move from one organization to another.

  - − Provide coordinated policy for planning.

III. Evaluation

■

A. Overview

This chapter presents the evaluation of the high payback opportunities for improving King County's business processes in the Budget, Financials, Human Resources, and Payroll Business Areas and the alternatives for implementing a new business operations model. High payback opportunities were developed for each business areas based on the information gathered during the assessment process and industry best practices.

The opportunities and the alternative business models go beyond the processes associated with the systems used for budget, financial accounting, human resources, and payroll. The evaluation addresses the improvements to business processes which can or should be made for King County to operate as a world-class organization. To that end, we considered contemporary best practices in the developing opportunities and assessing the alternatives.

1. High Payback Opportunities

High payback opportunities are presented for each business area and include:

- Financials Business Area

    - Automate, integrate, and consolidate business processes.

    - Enhance the finance data warehouse.

    - Implement electronic document imaging and management.

    - Implement E-Procurement.

    - Implement capital asset management best practices.

- Human Resources Business Area

    - Implement performance management best practices.

    - Refine and standardize the collective bargaining process.

    - Develop and implement succession planning and mentoring programs.

    - Automate, integrate, and standardize processes.

    - Implement quality management.

- Payroll Business Area

  − Automate, integrate, and consolidate business processes.

- Budget Business Area

  − Automate, integrate, and consolidate business processes.

  − Increase analytical capability.

  − Improve capital planning and monitoring.

Each opportunity contains the following information:

- **Process Documentation** – This is a detailed description of how the current and proposed processes differ. Where appropriate, before and after flowcharts demonstrate the changes in the information flow.

- **Organizational Impacts** – This identifies the centralized and decentralized processes, the roles, responsibility, authority, organizational structure, and how these would be impacted by the change in business processes.

- **Process Efficiencies, Process Gaps, and Process Inefficiencies** – This identifies the process gaps and inefficiencies that apply to the high payback opportunity.

- **Cost of Operations** – This presents the estimated costs and benefits for each opportunity. The costs that are presented include:

  − **Implementation Costs** – Where available, the Dye Management Group, Inc. and the Moss Adams implementation costs from previous studies were used. For opportunities that were not addressed in those studies, the implementation costs are based on market surveys of vendors and other public sector organizations. Costs for business process reengineering as well as the cost for implementing supporting technology are included.

  − **Operating Costs** – The operating costs are based on a ten-year life cycle. Where available, the Dye Management Group, Inc. and the Moss Adams implementation costs from previous studies were used. For opportunities that were not addressed in those studies, the implementation costs are based on market surveys of vendors and other public sector organizations.

  − **Total Cost of Ownership** – This is the combined cost of implementing the changes and supporting the systems for ten years.

  − **Quantifiable Benefits** – This presents the benefits that could be quantified for the ten-year period. Benefits were computed based on the time they would start accruing. Benefits are based on the reduction in staff effort to perform a task as well as other savings that can accrue with new data to

support management decisions. Where possible, industry standards and estimates from county staff were used to compute the savings.

   – **Net Benefit** – This is the difference between the ten-year cost and the ten-year benefit.

   – **Net Present Value** – This is the net benefit adjusted for net present value. An inflation rate of 6 percent was used.

- **Benefits** – Benefits are presented as tangible and intangible. An annual savings amount is presented as a tangible benefit. This is the savings used as a basis for the quantifiable benefits calculation in the cost of ownership tables.

- **Constraints** – This identifies policy, legal, and contractual limitations that could create challenges for changing the process.

- **Performance Measures** – This identifies performance measures related to the changed business functions. These performance measures could be used in the future to assess whether the objectives of the opportunity were met.

- **Role of Technology** – This documents what technology changes are need to support the revised processes.

2. Alternatives

The alternatives evaluation is presented for each business area. In addition, the integration evaluation summarizes the business areas for each alternative. The alternatives comparison is presented in tables to better demonstrate the difference between the alternatives. The following evaluation templates are included for each business area:

- **Feature Comparison** – This presents the information flow, system features, roles/responsibility/authority, organizational structure, and alignment with vision and goals for each alternative. To determine the alignment with vision and goals, each vision/goal statement was reviewed and given a ranking of one to five, with five indicating the alternative fully met the statement. The average score for each section is included in the template. The detail rankings are included in Appendix F.

- **Cost Summary** – This table presents the ownership and benefit costs as described above for the opportunities.

- **Benefits** – This table compares the benefits of the alternatives.

- **Risks** – This table summarizes the risks of implementing the alternative.

The alternatives address integration is different ways.

- **Alternative 1 – Status Quo** maintains the current integration landscape though system interfaces and the two financial and human resources/payroll systems.

- **Alternative 2 – Enhance Current Processes** is focused on improving the processes through minimal upgrades of the current systems. Some additional reporting capability is provided by enhancing the data warehouse capabilities at the county and integrating the financial and budget information.

- **Alternative 3 – Business Transformation** provides the architecture to integrate business processes and the system and information needed to support them.

B. High Payback Opportunities

The focus group interaction with King County subject matter experts identified several opportunities for large-scale improvement within the existing county policies, practices, and procedures. Evaluation of the individual opportunities was undertaken with an eye to enhancing the county goals of:

- Consistency.

- Accuracy.

- Accountability.

- Improved Communication.

- Better Decision Support.

- Efficiency.

- Increased Service.

1. Finance Opportunities

The focus group and agency interviews with King County subject matter experts identified several opportunities for large- and small-scale improvements within the existing county policies, practices, and procedures. Evaluation of the individual opportunities was undertaken to enhance the county's Financial Accounting business goals:

- Maintain summarized data for General Ledger that in turn reconciles with subsidiary ledgers.

- Reflect accurate project and grant accounting expenditures and revenues, and provide the capability to conduct analyses that distinguish between local and countywide revenues and expenditures.

- Support timely closure of month-end and year-end processes.

- Manage centrally performed accounts receivable billing and collection enforcement functions and reporting.

- Support the budget monitoring process by allowing encumbrances (purchase orders/contracts), pre-encumbrances (requests for purchase), and accruals

(Accounts Payable liabilities), and the tracking of expenditures against these commitments in the financial system.

- Improve the ability to quickly and easily report budget balances available at the fund, cost center, and project level, and also provide for use of contra-account balances in the financial system.

- Support the ability to maintain and track current budget adjustments and appropriation/funding levels throughout the year.

- Support the county's investment program, cash and debt management, and trust and agency responsibilities through appropriate interfaces to the General Ledger.

- Maintain system reliability and stability to ensure integrity of financial data for general ledger, procurement, accounts payable, accounts receivable, cash management, debt management, fixed assets, and financial reporting and the appropriate use of public funds.

- Maintain a financial system that ensures responsive and accurate financial services to all customer agencies.

These analyses disclosed five overarching, high payback areas with the potential to significantly increase the effectiveness and efficiency of King County. The five high payback areas for Finance are:

- Integrate, automate, and consolidate Business Processes.

- Enhance the Finance Data Warehouse.

- Provide electronic document imaging and document management.

- Introduce procurement best practices and E-Procurement.

- Implement Capital Asset Management best practices.

The opportunities are defined individually. Each could be a stand-alone project. The first opportunity — integrate, automate, and consolidate county processes — represents the highest payback and most complex undertaking. It is required for the county to meet its vision and goals. The remaining opportunities encompass business processes improvements, policies, and system enhancements than can be reasonably implemented without moving to a single financial system.

a. Opportunity 1: Automate, Integrate, and Consolidate Business Processes

One of the most significant problems facing the Finance Business Area is the amount of time spent on transaction processing activities rather than supporting the county's strategic objectives. A 1995 Financial Executives Research Foundation report found that in many organizations, transaction-processing activities consume on average 70 percent of finance resources. World class organizations strive to keep transaction processing down to 20 percent of finance

activities. King County's finance functions areas are burdened by manual transaction processing, dual system maintenance, maintenance of agency side systems, and cumbersome report production.

This opportunity represents a consolidation of many of the opportunities developed through focus group sessions and agency interviews. Integration, automation, and consolidation provide support for:

- Distributed data entry with online edits and workflow approvals.

- Enhanced fixed asset and accounts payable integration.

- Perpetual Inventory system for capital assets.

- Bar-coded physical inventory process.

- Centralized accounts receivable information.

- Shortened month-end and year-end closing cycles.

- Integrated accounts payable vendor and accounts receivable customer information.

- Integrated wire transfer/ACH and accounts payable data.

- Elimination of manual systems and spreadsheets used to manage grants and consolidation of some grant billing processes.

- Standard inventory procedures.

- Standard bank reconciliation procedures.

- Standard procedures for voucher entry, receiving, and invoice processing.

- Increased usage of automated remittance processing equipment.

- More flexible accounts receivable options for billing rules, invoice formatting, and printing.

- Tracking accounts receivable customer communications history.

(1) Process Documentation

Exhibit III-1 provides a high level overview of the current environment. Most business functions have two different process flows for ARMS and IBIS agencies. Many finance processes are done manually or with side systems outside the county's two central finance systems. The diagram below does not tell the full story; current county business processes are so inconsistent that it is not possible to include all variations in a single workflow diagram. What is depicted is how the processes work in general.

Exhibit III-1: Current Finance Business Area Diagram
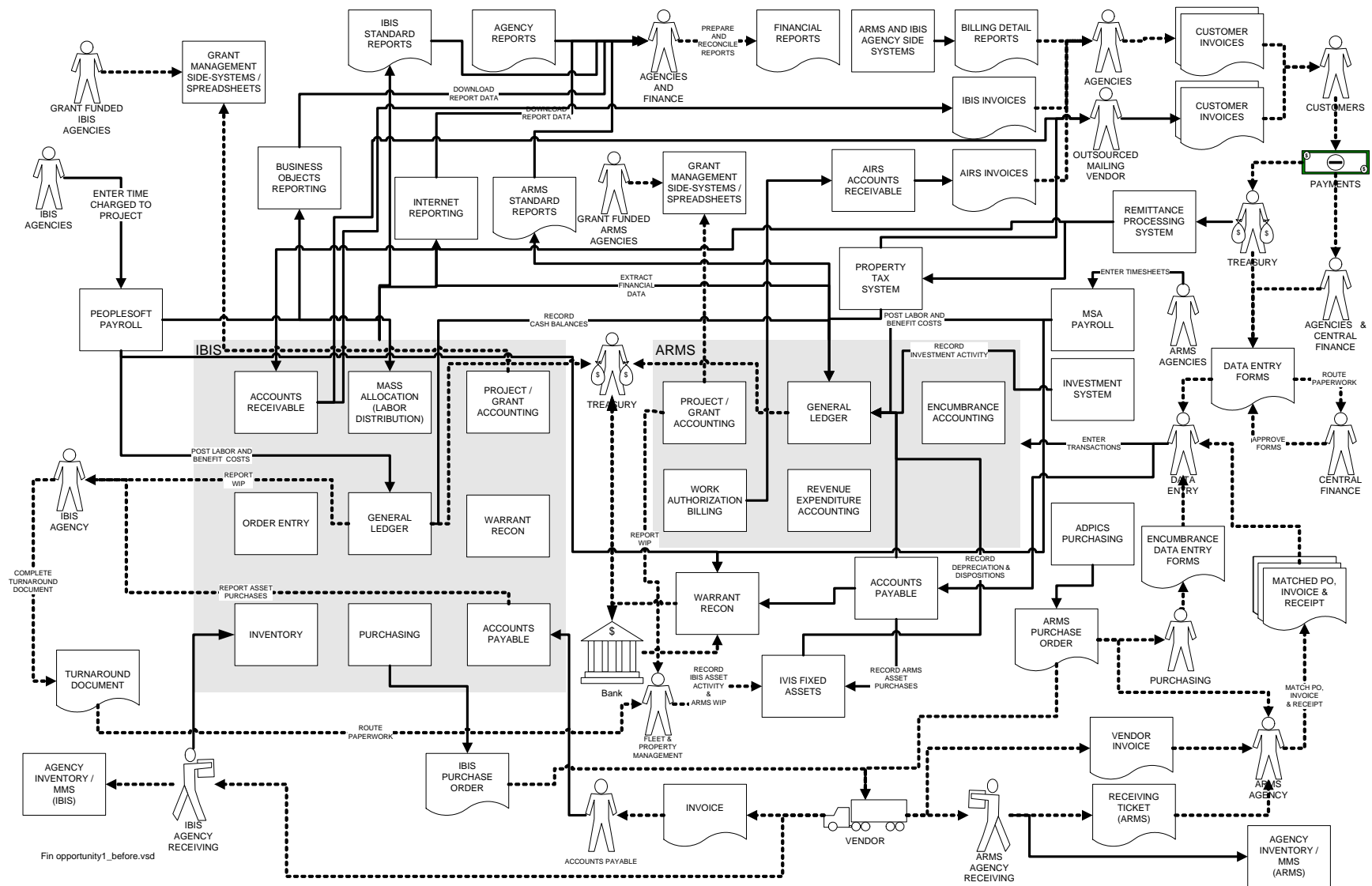
Fin opportunity1_before.vsd

King County must integrate, automate, and consolidate its finance functions. Meaningful business process improvements cannot be made in the current environment. The current environment does not support any of the county's finance vision and goals.

Maintaining two separate financial systems causes significant problems; however, other process issues can and should be addressed prior to taking on this monumental task. This opportunity should be implemented using an incremental approach:

(a) Business Process Best Practice Teams

Create business function teams made up of ARMS and IBIS functional experts. These teams would meet on a regular basis to share information of current processes, issues, and strategies. Additionally, they should seek opportunities to streamline and standardize existing processes within the constraints of the current systems environment and set goals for further improving processes when a single, modern financial system is in place. These groups would also be responsible for identifying requirements for the eventual move to a single finance system. They will define best practices for King County.

(b) ARMS to IBIS Pilot for Straddle Agencies

Consider a pilot project to migrate a straddle agency from ARMS to the IBIS system. This project would help the county identify issues for possible ARMS to IBIS implementation. The migration would need to review configuration decisions made in IBIS.

(c) Single System Implementation

Implement a single system for all Finance functions. The recommendations made in FSRP Critical Assessment report are still valid. A "phased" implementation approach should be taken with any go-forward strategy. "Phasing" greatly lowers implementation risk and increases chances of program success. The county will need to reevaluate ERP vendor offerings to determine which will best meet the county's needs. Compelling arguments could be made for selection of any of the three leading ERP Vendors.

- SAP continues to dominate the ERP marketplace. The county already owns the software, and finance implementation team members have experience with this solution.

- Oracle Financials is already implemented at county. FBOD, Information Technology Services, and some agencies already know the product.

- PeopleSoft HRMS has been implemented at about half of the county and there are plans in place to roll the product out countywide. Implementing PeopleSoft Financials would provide better integration and may allow the county to further consolidate Information Technology support costs.

Exhibit III-2 illustrates how the county's finance functions interact with improved processes and integrated applications. All core finance functions are integrated in the single system solution. It is important to note that this high payback opportunity is dependent on the county making the organizational, procedural and cultural changes recommended in both the Moss Adams and Dye Management Group, Inc. reports. While Exhibit III-2 shows a simplified illustration of ERP functionality, these systems internally have complex interrelationships between modules and data. The benefit in a common architecture, design and technology that improves functionality and supportability.

Exhibit III-2: Future Finance Business Area Diagram

Fin opportunity1_after.vsd

This future model does not necessarily include replacing all agency material management, work order, and billing systems with the ERP vendor's offering. However, until the integration issues are addressed with these applications, some redundant processes and data duplication will continue. We recommend evaluating the selected ERP vendors MMS and billing functionality on an agency-by-agency basis as agencies replace these applications in the future. All MMS applications purchased after the ERP vendor decision is made should provide robust integration.

At a minimum, the county must to develop a standard approach to integrating central financial accounting and agency applications. We concur with the recommendations made in strategy C3 (Standardize County technical approach for application integration.) in the King Country Strategic Technology Plan. We recommend the county move towards a hub-and-spoke architecture where intermediary software manages the integration among applications. Law, Safety, and Justice have recently completed a successful pilot integration project using Microsoft's BizTalk server as the integration broker.

(2) Organizational Impacts

This opportunity will result in many changes within the finance function, in particular for ARMS agencies that will be moving from a mainframe batch-processing environment to an online, real time environment. Implementation of standard, best practice business process as will affect all agencies.

(a) Centralized vs. Decentralized

- IBIS transaction entry will remain decentralized. With the implementation of, or migration to, a modern accounting system, ARMS agencies will enter their own transactions, eliminating the need for a central data entry function.

- Management reporting will likely become more decentralized, with a central group providing access to financial data and agencies using this data to support decision-making.

- Accounts payable voucher entry would be centralized to a single group. Vendors would send payment to a single remittance address. The system would automatically match purchase orders, vouchers, and remittance advices. Additionally, the county may chose to more to Evaluated Receipt Settlements for some vendor payments, eliminating the voucher entry process for these vendors.

- Grant management data and oversight would be centralized in the financial system.

- Accounts Receivable will become more centralized. Wherever possible, payment processing should be through Treasury's remittance processing system to provide for more timely posting and depositing of cash as well as scanned images of most county receipts. It is assumed that some remote locations that accept walk in payments will continue to make their own deposits.

- Financial reporting will become more decentralized as end-users have easier access to financial information.

- Capacity Charge billing is currently decentralized to the Wastewater Treatment Division. Capacity Charge is a complex billing process due to a variety of reasons, including constraints mandated by the county code. Because servicing these accounts requires particular knowledge of these requirements, we recommend keeping this process decentralized unless these constraints are addressed.

All other finance processes will likely remain the same.

(b)   Roles, Responsibilities, and Authority

- FBOD will no longer enter ARMS transactions; agencies will be responsible for entering and editing data online.

- Agencies will be required to reconcile bank accounts using a standard, countywide procedure. Treasury will provide support and oversight.

(c)   Organizational Structure

- Consolidation of two separate FBOD groups currently supporting ARMS Accounts Receivable and IBIS Accounts Receivable.

- Creation of a competency center to support the ERP application. This group would be composed of the following:

    − Functional analysts who provide business process expertise, functional requirements, end user support, and training.

    − Application analysts who provide technical support for the ERP application in terms of application development, report writing, database administration, and production operations.

    − Application architect who sets the technology direction and development standards for all aspects the ERP environment including production processing, data base design, and application/integration architecture,

Competency Centers are an ERP best practice, and the model used by the City of Seattle to successfully implement, upgrade, and support PeopleSoft Financials. This group would be a consolidation of the analyst groups presently supporting ARMS, IBIS, AIRS, ADPICS, and IVIS. The functional analyst is a position dedicated to application support only. These positions must be fully dedicated to application support and not have responsibilities that extend to finance operations activities.

- Central FBOD will no longer key all ARMS, AIRS, and transactions; agencies will be responsible for entering and editing data online, similar to what is done today in IBIS.

(3) Process Gaps, Process Efficiencies, and Process Inefficiencies

This opportunity addresses most of the process gaps and process inefficiencies identified in the Assessment Chapter. Process efficiencies are realized through implementation of countywide, vendor supported, financial management best practices. Items addressed include:

(a) General Ledger and Project Accounting

- Maintaining two financial systems increases complexity and costs.

- Providing a countywide view of financial information is difficult.

- Some agencies use two separate financial systems.

- ARMS updates are done through paper forms and keyed data entry.

- Document routing increases cycle time for ARMS transactions.

- Inconsistent document management policies make it difficult to locate source documents.

- Internal control procedures vary from agency to agency.

- Labor accruals are done differently in ARMS and IBIS.

- Management reporting is complex and time-consuming.

- IBIS data is re-keyed into ARMS for external financial reporting.

- ARMS and IBIS have significant year-end processing differences.

- Both ARMS and IBIS lack needed project accounting information.

- The county has multiple methods for distributing labor costs.

- Labor information is not timely.

- Agencies use side systems to manage grants.

- ARMS does not support labor distribution to a grant.

- ARMS lacks information required for grantor billing.

- ARMS does not provide adequate capabilities for grant management.

(b) Purchasing

- There are two significantly different purchasing processes.

- There are two significantly different accounting processes related to the systems that support the purchasing process.

- ADPICS is not integrated with the financial system (ARMS)

- IBIS does not record encumbrances.

- The ADPICS/ARMS 3-way match process is manual.

(c) Accounts Payable

- There are inconsistent procedures for processing invoices.

- Retention of accounts payable invoice documents is inconsistent.

- Central accounts payable has no visibility of invoices in the agencies awaiting payment (ARMS).

- The ARMS payment process is labor intensive.

- Neither ARMS nor IBIS accept electronic invoices.

- The invoice approval process may delay payments.

- Fixed asset coding may delay payments.

- Systems do not adequately support wire transfer payments.

- Warrant cancellation process is complex.

(d) Warrant Reconciliation

- There are two warrant reconciliation processes.

- A side system is used to reissue warrants.

(e) Capital Asset Management

- IVIS does not adequately support grant-funded assets.

- IBIS asset purchases are manually entered in IVIS.

- Assets purchased through ARMS are sent to IVIS via an interface.

- Current county policy does not address asset disposition.

- Asset trade-ins are handled inconsistently.

- Annual asset physical inventory process is manual and time-consuming.

- ARMS CIP projects are manually reviewed.

- IVIS reporting is limited.

- Asset activity reports are needed.

(f) Accounts Receivable and Collections

- AIRS billing requires complete customer setup prior to recording billable charges.

- Customer and billing information is duplicated in agency systems.

- Processing a customer payment for multiple bills is complex.

- IBIS billing does not include past due amounts.

- Bill assembly is a manual, time-consuming process.

- The county's accounts receivable systems do not support electronic billing.

- Paper copies of invoices are kept for seven years.

- Having two separate accounting calendars complicates billing.

- AIRS does not contain adequate customer information.

- In IBIS, missing payment stubs delay payment posting.

- Accounts payable and accounts receivable information is not integrated.

- AIRS can only accept one payment per invoice.

- Each accounts receivable system has a separate cash desk.

- There is no single source for accounts receivable and billing information.

- Bill retention policies vary by agency.

- AIRS produces printed reports only.

- Current invoice formats do not meet agency needs.

- The county does not have a standard dunning letter procedure.

- AIRS and IBIS do not contain all items in collection.

(g) Cash Management, Debt Management, and Treasury

- Having two systems creates problems for bank reconciliation.

- Consistent reconciliation procedures are lacking.

- The Property Tax Billing System /ARMS interface is difficult to monitor and support.

- For the Property Tax Billing System (PBS) and related ARMS interface there is a lack of institutional knowledge.

- Remittance processing equipment is not used for all invoices.

- It is difficult to map District Court payments to ARMS.

- The investment income allocation requires manual intervention when for negative cash balances.

- ARMS cash transaction processing is complex.

- Paper-based documents are difficult to locate and not completely secured.

- Some Treasury reports are difficult to produce.

- Electronic payments are not recorded in accounts payable.

(h) Inventory

- Inventory practices are inconsistent with little central oversight.

- The Transit MMS / IBIS interface requires constant monitoring.

- Transit maintains duplicate sets of inventory items.

- Wastewater uses IBIS inventory rather than inventory functionality contained in Mainsaver.

- Inventory usage is recorded on paper forms and keyed into MMS systems.

(i) Order Entry

- IBIS cannot associate a contract with a vendor.

(4) Cost of Operations

Integrating, automating, and consolidating business processes requires the county implement a single, countywide financial system. Implementation costs are based on the procurement of a new financial system based on previous Dye Management Group and Moss Adams reports. Using Oracle as the countryside financial system could reduce these costs. It was not in the scope of this study to develop new costs for the technical implementation of the new financial system. Implementation Costs, Operating Costs, and Quantifiable benefits are summarized in Exhibit III-3.

Exhibit III-3: Integrated Financial System 10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$25,156,376
Incremental Operating costs	$ (8,001,107)
Total Cost of Ownership	**$17,155,270**
Quantifiable Benefits	$ 39,974,642
Net Benefit	**$ 22,819,372**
Net Present Value**	**$9,130,781**

*   Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

** Assumes 6 percent inflation rate.

(5) Benefits

This opportunity has the highest potential for realizing both tangible and intangible benefits. Benefits from this opportunity will be realized over several years, with incremental improvements each year. It would be unrealistic to expect immediate process efficiencies. In fact, many organizations report a small decline in productivity following a major finance system implementation while employees are adjusting to new processes and applications.

Where possible, benefits were calculated using King County processing costs, transaction volumes, record counts, and published financial benchmarks. In most cases, benefits were calculated assuming an average productivity increases between 10 and 15 percent[2]. Process costs, transaction

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[2] Based on GFOA estimate of average productivity increases resulting from an ERP implementation. See "Technology Needs Assessments, Evaluating the Business Case for ERP and Financial Management Systems," by Rowan Miranda, Shayne Kavanagh, Robert Roque, Government Finance Officers Association, 2002.

volumes, and record counts were provided by King County personnel. We have not independently verified the accuracy of the information provided.

(a) Tangible

Exhibit III-4 lists the benefits and the projected annual savings once fully implemented.

Exhibit III-4: Automate, Integrate, and Consolidate Quantifiable Benefits Summary

General Ledger	$142,000
Project Accounting	268,000
Grant Accounting	300,000
Purchasing Process	614,000
Accounts Payable	1,501,000
Accounts Receivable	1,584,000
Inventory	108,000
Capital Asset Management	142,000
Cash and Debt Management	119,000
Labor Distribution	35,000
Financial Reporting Process Improvements	348,000
Purchase savings through integrated procurement process	1,050,000
Total Annual Savings	**$6,211,000**

- The General Ledger business process costs $1.42 million; 10 percent processing efficiencies yield $142,000 annually.

- Agencies maintain side systems (mostly spreadsheets and manual files) to address the deficiencies in the two project accounting systems. Eliminating these side systems will allow agencies to focus on strategic project accounting activities rather than manual processes. Assuming a 15 percent improvement would result in $268,000 annual savings.

- Currently, grant management is excessively time consuming and error prone due to its manual nature. Some ARMS agencies track all grant activities outside the financial system. Subject matter experts at the three largest grant-funded agencies (Public Health, Community, Human Services [DCHS], and Transit) estimate these inefficient processes consume a high percentage of their grant accounting, accounts payable, and financial reporting processing

time. Providing better grant management tools through an integrated grant accounting system in conjunction with central oversight and standard procedures should allow the county to reduce grant management process costs.

Countywide, agencies reported over $1 million in annual grant management business process costs. It is likely that these costs are understated because grant management activities cross multiple business functions (for example, accounts payable, project accounting, and billing). Published benchmarks for grant management savings related to an ERP implementation were not available. We calculated savings based on estimates provided by DCHS and Transit. DCHS estimates a 33 percent reduction in Accounts Payable processing costs could be achieved through better system support for grant management. Annual DCHS accounts payable business process costs total $420,000; a 33 percent savings yields $138,000. For the remaining agencies, we calculated savings at 20 percent of current business process costs based on an estimated provided by transit. Annual grant management business process costs for all agencies except for DCHS total $812,000; a 20 percent savings yields $162,000.

- King County issues over 28,000 purchase orders each year with an annual processing cost of $6.2 million. Agency processing costs per purchase order ranged from $40 to over $500, depending on the agency reporting. The average King County process cost per purchase order is $200. A 2003 study by the University of Maryland estimated that creating a purchase order in most government organizations costs between $127 and $175. A 10 percent improvement in purchasing efficiency yields $614,000 each year.

- The cost of processing AP vouchers in ARMS is between $16.78 and $43.33 per voucher (calculated as the total reported accounts payable business process costs divided by the number of vouchers issued). A GAO study placed the average voucher cost at approximately $3.55 per voucher[3]. Transit (an IBIS agency) reports the lowest per voucher cost at $3.22. IBIS agency costs per voucher are 80% less than the lowest ARMS cost per voucher. Automating the three-way match will dramatically reduce the cost per voucher for ARMS agencies. We believe it is reasonable to assume at least a 50% reduction in the cost per voucher for ARMS agencies. Annual ARMS agency accounts payable business process costs total $3.6 million; a 50 percent savings yields $1.8 million. Centralized Accounts Payable would require additional staff, and an increase of 5 FTE has been included in this net

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[3] "Creating Value Through World-Class Financial Management," United States General Accounting Office, 2000.

savings. Total annual savings are $1,501,000. We did not estimate any Accounts Payable savings for IBIS agencies.

- Accounts Receivable and Collections represent the highest overall business process costs to the county at $8.0 million each year. For many agencies, invoice preparation is primarily a manual process. Invoices are manually assembled, paper copies are made and filed to severe limitations in the current applications. We believe that automating, standardizing and centralizing receivable processing would yield benefits in excess of the 10 to 15 percent associated with general business process improvement efforts. Annual accounts receivable business process costs total $8 million; a 20 percent savings yields $1.6 million.

- Common inventory procedures and accounting practices combined with improved integration between agency systems will give managers better visibility of inventory costs. Estimated annual savings are 10 percent of $1.1 million, or $108,000.

- The county spends $2.3 million dollars annually on financial reporting and decision support. Considerable time is spent consolidating data from multiple systems, maintaining crosswalks, and manually preparing reports. Based on input from county agencies and GFOA standards, we estimate that at least 15 percent of the financial reporting process is spent on tasks that would be automated in a single financial system, saving the county $348,000 annually.

- A 2003 King County Auditor Management Letter documented problems resulting from the lack of integration between the Fixed Asset System and IBIS. This report, focused on ITS, found $2.6 million dollars in assets not recorded in the IVIS fixed asset system. These were primarily IBIS assets. The Auditor's report also references repeat State Auditor's Office (SAO) findings with regards to poor physical inventory processes and a lack of integration between IBIS and IVIS. A single integrated financial system addresses these issues by automating integration between accounts payable and asset management for all purchases. The Capital Asset Management Business function cost $792,323 annual, general capital asset management improvements will allow all agencies to realize processing efficiencies; IBIS and Straddle agencies will see more efficiencies (estimated 20 percent based on the difference in processing cost per asset for these agencies compared to ARMS agencies) through automation of manual processes. Estimated annual savings are $142,000.

- The Treasurer estimates that monitoring and reconciling the Property Tax Billing System (PBS) to ARMS interfaces consumes approximately 0.8 FTE. Additional effort is also required to

monitor the IBIS to ARMS cash interface. Eliminating the cash interface, improving the PBS interface, and improving general processes will save 10 percent of current Cash and Debt Management process costs of $1.2 million. Estimated annual savings are $119,000.

- Fully integrated time entry, labor distribution, and project accounting functionality will eliminate the need for duplicate data entry. Annual labor distribution process costs are $350,000; 10 percent efficiency yields $35,000.

- A single purchasing system will give the county better information on purchasing by commodity which will give buyers additional leverage when negotiating contracts. An Arthur Andersen/Gartner study estimated that indirect spending is, on average, 30 percent of an organization's annual revenues and that 30 percent of an organization's indirect spending is typically associated with contract buying. King County's indirect spending is approximately $700 million per year. We estimate $210 million dollars are related to indirect contract buying. That same study estimated savings from contractor compliance and supplier consolidation of 8 percent of eligible indirect spending. For King County, a 0.5 percent savings yields $1 million annually.

(b) Intangible

- Improving the grant management process will free up agency time and allow the pursuit of additional grant revenue and more timely performance measures and service delivery information to grantors.

- A single, integrated finance system will allow the county to shorten its month-end and year-end closing times (so long as delays caused by the three-week payroll posting lag are addressed). Shorted closing cycles will provide management with more timely information and allow agencies to send project and grant bills earlier.

- Integrating Accounts Receivable customer and Accounts Payable vendor information will allow the county to identify situations where vendors with invoices to be paid also have unpaid receivable balances.

- The leading ERP solutions include tools to enhance decision support, including online available budget balances, the ability to drill down to detail transactions, and ad-hoc queries.

- Distributing the data entry function will provide more timely and accurate information.

- Producing more timely and accurate accounts receivable aging reports will allow managers to identify collection problems more quickly and take appropriate action.

- Implementing a "perpetual inventory" system for capital assets provides managers with direct access to current asset information throughout the year. A "perpetual inventory" approach also allows the county to discontinue the annual full physical inventory of capital assets. Asset balances can be verified using random tests along with a periodic inventory done on a rotating basis (The GFOA recommends that each asset be accounted for at least once every five years).

- A single, integrated financial system will allow King County and Metro to complete the merger approved by the voters in 1992. As noted in a 1999 King County Auditor Report, "The single county-wide, department-wide financial system should reduce the accounting complexity ... and promote consistency in management reporting..."[4].

- A single financial system simplifies the audit process.

- Better support for grant billing would allow the county to decrease the average days receivable balances are outstanding. Grant agencies estimate the current turnover rate to be up to two-and-a-half months. A dedicated grant accounting module would provide integrated data, automated billing, and EDI and would allow agencies to reduce turnover time.

(6) Constraints

- Changes in job functions may affect union contracts. Prior to implementation, the county must determine the affected contracts and begin working with union representative to address any issues.

- Grantors define how they will be billed. The county's process must be flexible enough to support a variety of grant billing requirements.

- There are a variety of state laws controlling the Courts' business processes. They are required to use the state's DISCIS system for their operations. The DISCIS systems use State of Washington BARS account codes, not the county's accounting structure.

- Before embarking on this particular project, the county must address the pain from the failed FSRP implementation. Many employees are cynical about another attempt to implement a single financial system.

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[4] "King County Department of Transportation Consolidation Opportunities," Susan Baugh, Principal Management Auditor, King County, 1999.

The county must address the governance and changes management issues described in the FSRP Critical Assessment.

- The county's budgeting policy is not flexible enough to allow agencies to make lease vs. buy decisions on capital assets.

- King County Administrative Policies and Procedures mandate that the county conduct an annual physical inventory of all capital assets.

(7) Performance Measures

Exhibit III-5 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-5: Automate, Integrate, and Consolidate Performance Measures

Business Function	Current Performance Measures	Recommended Performance Measures
General Ledger	None	General Ledger cost as a percent of operating revenue.
Project Accounting	None	Unbilled project costs.
		Number of projects per FTE.
Grant Accounting	None	Grant Management Costs as a percent of Grant Revenue.
Account Payable	None	Cost per voucher.
		Number of vouchers processed per FTE.
Accounts Receivable	Percent of revenue distributed on day of receipt	Total Accounts Receivable Costs as a percentage of Revenue.
		Unapplied cash balance.
		Average time to collect.
Capital Asset Management	None	Fleet and Property Management Costs per asset record.
		Cycle time to complete physical inventory.
Cash and Debt Management	Percent of revenue deposited on day of receipt	Cycle time to reconcile bank accounts.
	Average point yield above market return	
Labor Distribution	None	Labor costs recaptured.
Financial Reporting	None	Cycle time to complete reports.

(8) Role of Technology

Integrating, automating, and consolidating county processes requires the county invest in new technology for the following reasons:

- ARMS, AIRS, IVIS and ADPICS are built on outdated, batch processing technology requiring batched data entry and overnight processing. They do not allow the county to take advantage of vendor supported best practices.

- IBIS does not record encumbrances; encumbrance accounting would need to be addressed in Oracle if the county chooses to roll out Oracle countywide.

- The integration with PeopleSoft, budget, and departmental mission critical systems needs to be addressed to assure access to all related data.

b. Opportunity 2: Enhance the Finance Data Warehouse

In almost every focus group session and agency interview, reporting issues were discussed. Financial Reporting is the fourth largest business functional expense, yet the managers and end-users complain of a lack of timely and accurate information. The county's current reporting process is a mix of paper-based system reports, spreadsheets, and Web-based reporting. The Finance Reporting Website provides online access to ARMS, IBIS, and PeopleSoft data; however, the data is not consolidated.

(1) Process Documentation

Exhibit III-6 provides a high level overview of the current structure. The Finance Data warehouse combines data from ARMS, IBIS, MSA, and PeopleSoft; however, agencies still rely on paper reports to meet their reporting needs. Finance manually enters IBIS totals to ARMS to produce financial reports at the end of the year. Agencies use spreadsheets and other reporting tools to combine data from their systems and the central financial accounting systems.

Exhibit III-6: Current Financial Reporting Workflow

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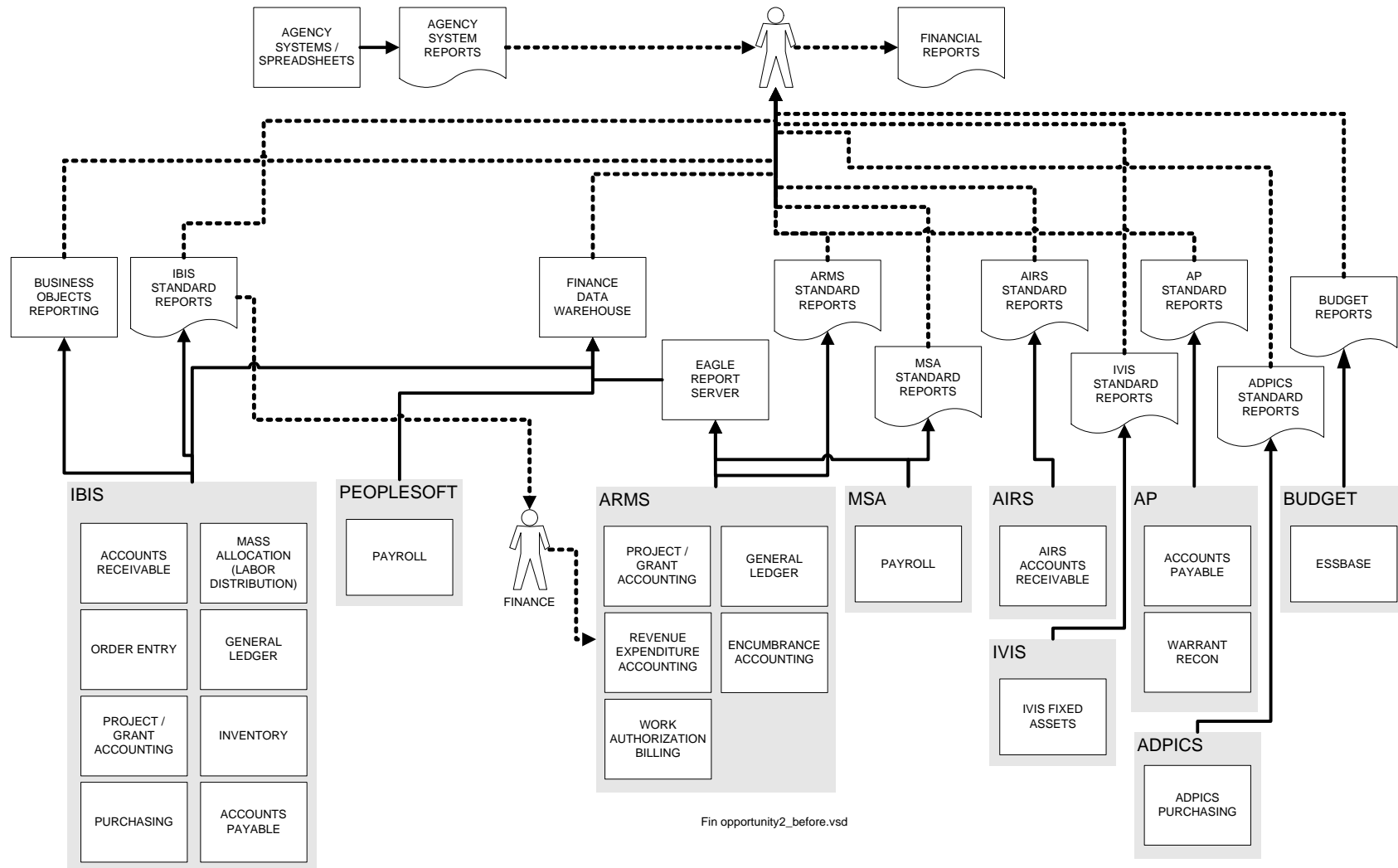
King County can leverage the structures already in place to greatly enhance financial reporting. The finance reporting website should be expanded to include:

- A consolidated view of ARMS and IBIS data to support countywide reporting.

- Drill down from summary reports to detailed transactions.

- More frequent (daily or weekly) updates from IBIS to provide timelier reporting.

- Budget versus actual reporting including operating reports and available balance information.

Exhibit III-7 shows how application data would be consolidated in the finance data warehouse to reduce reliance on paper reports.

Exhibit III-7: Future Financial Reporting Environment

AGENCY SYSTEMS / SPREADSHEETS

AGENCY SYSTEM REPORTS

FINANCIAL REPORTS

FINANCE DATA WAREHOUSE

EAGLE REPORT SERVER

IBIS
- ACCOUNTS RECEIVABLE
- MASS ALLOCATION (LABOR DISTRIBUTION)
- ORDER ENTRY
- GENERAL LEDGER
- PROJECT / GRANT ACCOUNTING
- INVENTORY
- PURCHASING
- ACCOUNTS PAYABLE

PEOPLESOFT
- PAYROLL

FINANCE

ARMS
- PROJECT / GRANT ACCOUNTING
- GENERAL LEDGER
- REVENUE EXPENDITURE ACCOUNTING
- ENCUMBRANCE ACCOUNTING
- WORK AUTHORIZATION BILLING

MSA
- PAYROLL

AIRS
- AIRS ACCOUNTS RECEIVABLE

IVIS
- IVIS FIXED ASSETS

AP
- ACCOUNTS PAYABLE
- WARRANT RECON

ADPICS
- ADPICS PURCHASING

BUDGET
- ESSBASE

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The current finance reporting website provides the foundation for a more complete reporting solution. The addition of data to the current environment should be based on satisfying high priority business needs requiring access to the data for reporting and analysis. This data will be extracted and transformed (sorted, summarized, reformatted) from selected source systems.

This opportunity defines the enhancements needed for the current Finance data warehouse with the greatest opportunity to reduce financial reporting costs and provide timely and accurate information to decision-makers. The completion of the data warehouse will be a continuous process as existing systems are redeveloped or replaced and new systems or functionality is implemented.

Key tasks required to enhance the finance data warehouse are described below:

(a) Define Financial Reporting and Decision Support Needs

During this task, the project will meet with reporting stakeholders to identify detailed information needs. Creating an inventory of existing financial reports and identifying those reports that are truly needed can accomplish this. An inventory of reports that are prepared manually is also needed to identify opportunities for automating report production. During all phases of the data warehouse enhancement, stakeholders should be asked how the report information is used. The enhancement project should focus on meeting information needs rather than simply moving useless reports to a new format.

A communication plan is a required component of this opportunity. A countywide reporting strategy should be developed to define the types of reports that will be created and maintained by the central finance groups and the types of reports that agencies will be responsible for producing. The communication plan must also include a roadmap between old legacy system reports and information available on the data warehouse.

(b) Define Data Architecture

For each functional business area, the data architecture or data model needs to be defined. This task includes developing an approach for reporting ARMS and IBIS data in a common format. This needs to support known and anticipated reporting and analytical requirements, as well as provide eventual access and use by other applications. This task defines the summarization level for warehouse data stores (for example, whether detail payroll transactions are needed or if transactions should be summarized by employee, pay period, account coding, etc.).

- Data definitions.

- Types of financial and statistical data to be recorded.

- Storage levels (transactions versus summary).

- Data retention (online versus archive).

(c) Design Data Staging Logic

For each functional area the source and quality of data must be analyzed. Initially, the source will be the existing Finance systems, ARMS, and IBIS. These systems do not have a common coding structure. Data staging is a data warehouse term for the process that translates, transforms, selects, and summarizes data from the source system so that it complies with the data architecture. This task will define the method to be used to format transactional data (such as payroll details from MSA and PeopleSoft) into a common format.

- Configurations, validation rules, processing rules.

- Translation methods for legacy systems.

(d) Evaluate Reporting and Analytical Tools

Reporting and analytical tools are key to the success of the data warehouse because they form the presentation layer. One or more tools are needed to support staff and managers with varying levels of technical expertise and interest. The presentation capabilities of the tools should include the typical selection, sorting, and summarization capabilities with flexible formatting plus graphical presentation and spreadsheet interface capabilities. Also included in this task are:

- Acquiring reporting and analytical tools, if needed.

- Implementing new reporting and analytical tools, if needed.

- Developing sample reports and queries.

(e) Document Data Warehouse Structures, Access Methods, and Tools

Documentation of the data warehouse, written for users, is also essential to its success. The documentation should include data definitions, access methods, terminology, and use of the specific tools for access. The documentation should define the contents, source, data quality, and frequency of updates for each data mart.

(f) **Develop Validation Tables**

Tables will be needed to support validation of the common coding structure and provide descriptive data for reporting. Some of these tables will be maintained by source systems and provided to the data warehouse. Other systemwide tables will need a facility for maintenance of the table elements. This task identifies source and maintenance responsibility for each of the validation and descriptive tables. For systemwide tables not maintained by other source systems, this task includes the definition of maintenance processes, including the design, development, testing, and implementation of maintenance programs and procedures.

(g) **Train Users and Production Rollout**

Training the users on the data warehouse is another essential task. The training should include hands-on use of the data warehouse tools to strengthen student retention. Initial training should be provided as the data warehouse is rolled out, but reinforcing the original training by updating users as new software and/or data is added is an ongoing task.

As functionality is rolled out in the data warehouse, the corresponding standard application reports must be disabled to encourage users to use the warehouse.

(2) **Organizational Impacts**

This opportunity results in few organizational changes for the county, it builds on the intranet reporting structure already in place.

(a) **Centralized vs. Decentralized**

- Management reporting will likely become more decentralized, with a central group providing access to financial data and agencies using this data to support decision-making.

- Report printing and distribution becomes decentralized and agencies print only the reports they need.

(b) **Roles, Responsibilities, and Authority**

- Finance remains responsible for creating, maintaining, and balancing the finance data warehouse.

- Agencies are responsible for downloading data from the data warehouse to meet their unique reporting needs.

(c) Organizational Structure

- There are no changes in organizational structure required to implement this opportunity. The group currently responsible for the Finance Reporting website would support the data warehouse.

- The Technology Strategic Plan prepared by Moss Adams identified a need for data modeling expertise to design a countywide data warehouse.

- Additional staff will be required to support the data warehouse on an ongoing basis. Rolls would include:

  – Data Base Administrator (500 hours per year)

  – Functional Analyst (Full time)

  – Report Writer (Full time)

  – Web Developer (Half-time)

  The cost of these resources are included in the costs for the system.

(3) Process Gaps and Process Inefficiencies

This opportunity addresses only the report-related Process Gaps and Process Inefficiencies identified in the Assessment Chapter. Items addressed include:

(a) General Ledger and Project Accounting

- Management reporting is complex and time-consuming.

- Providing a countywide view of financial information is difficult.

- IBIS data is re-keyed into ARMS for external financial reporting.

(b) Capital Asset Management

- IVIS reporting is limited.

(c) Accounts Receivable and Collections

- AIRS produces printed reports only.

(d) Cash Management, Debt Management, and Treasury

- Some Treasury reports are difficult to produce.

(4) Cost of Operations

Enhancing the Finance Data Warehouse provides a net benefit to the county over a ten-year time period. Implementation costs include RFP development and selection, data base design, and report development. Consultants would provide data modeling and report writing expertise. King County would provide project management, functional expertise, report developers and web programmers.

Exhibit III-8: Enhanced Finance Data Warehouse 10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$1,204,476
Incremental Operating costs*	2,202,684
Total Cost of Ownership	**3,407,160**
Quantifiable Benefits	5,166,257
Net Benefit	**1,759,097**
Net Present Value	**$ 927,277**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

(5) Benefits

Enhancing the county's existing intranet reporting functionality addresses many of the reporting issues identified in the focus group sessions and agency interviews.

(a) Tangible

Exhibit III-9 lists the benefits and the projected annual savings once fully implemented.

Exhibit III-9: Enhanced Finance Data Warehouse Quantifiable Benefits Summary

Financial Reporting Process Costs	$581,000
Total Annual Savings	**$581,000**

- The county spends $2.3 million dollars annually on financial reporting and decision support. Considerable time is spent consolidating data from multiple systems, maintaining crosswalks, and manually preparing reports. Based on input from county

agencies, we estimate that at least 25 percent of the financial reporting process is spent on tasks that would be consolidated and streamlined through a robust data warehouse.

(b) Intangible

- Allows the county to increase the ratio of time spent supporting strategic objectives rather than administrative tasks.

- Provides more timely access to information in a more flexible format.

- Provides a single source of information for countywide financial data.

- Allows reports to be distributed to any user with Web access.

- Leverages the existing data warehouse environment to meet the county's financial reporting needs.

- Reduces central report printing and distribution costs. However, it should also be noted that agency report printing costs will likely increase as report printing becomes decentralized.

(6) Constraints

- Information in the data warehouse is only as timely and accurate as information in the source systems.

- Health Department and other agency data may contain confidential information that cannot be made available to unauthorized users.

(7) Performance Measures

Exhibit III-10 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-10: Enhanced Finance Data Warehouse Performance Measures

Business Function	Current Performance Measures	Recommended Performance Measures
Financial Reporting	None	Cycle time to produce financial reports.

(8) Role of Technology

Enhancing the Finance Data Warehouse builds on technology already in place:

- May require extract-transform-and-load (ETL) software to automate the data warehouse load process (see King County Strategic Technology Plan). ETL Software has not been included in the operating costs.

- Requires expansion of the Eagle Server or a new database to house consolidated ARMS and IBIS data.

c. Opportunity 3: Implement Electronic Document Imaging and Document Management

The finance function generates a tremendous amount of paperwork in the form of vendor invoices, customer remittances, contracts, purchase orders, and transaction entry forms.

> *"Our ability to control information has not kept pace with our capacity to produce it."*
> — Washington State Records Management Guidelines

Active finance records are distributed throughout the county with inconsistent record retention policies. Agencies may make copies of records for their files and forward original documents to FBOD for processing; FBOD also retains the original document.

This opportunity has two components. First, the county needs to establish and implement consistent record retention policies for its active financial records. This need was expressed often in focus group sessions across multiple business functions. Currently paperwork is in multiple locations and storage procedures vary by agency. The second phase of this opportunity is investment in document imaging.

A recent report issued by the King County Auditor's Office, in conjunction with the City of Seattle, evaluated opportunities to partner with the city on electronic imaging of public records. The report concluded the electronic imaging was not cost-effective in reducing records storage volumes. This report was focused on the King County Records center and considered inactive records and storage costs only; it did not evaluate the cost-effectiveness of electronic document management for daily operations. The repost estimated that only 30 percent of the total savings related to "paperless technology" was the result of reduced paper storage requirements.

(1) Organizational Impacts

The county will need to make some organizational changes to effectively implement electronic document imaging.

(a) Centralized vs. Decentralized

Incoming documents such as vendor invoices will be scanned centrally. Agencies will have access to the scanned images through the imaging software. This will have the greatest impact on the Accounts Payable function, where vendor invoices are often sent directly to the agency. Purchasing documents are already stored centrally.

(b) Roles, Responsibilities, and Authority

Accounts Payable would scan all incoming documents and enter index values in the electronic document management software. Workflow included with the software would route the document to an agency based on workflow rules.

(c) Organizational Structure

No organizational structure changes have been identified.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

(a) General Ledger and Project Accounting

- Document routing increases cycle time for ARMS transactions.
- Inconsistent document management policies make it difficult to locate source documents.
- The ADPICS/ARMS three-way match process is manual.

(b) Accounts Payable

- Retention of accounts payable invoice documents is inconsistent.
- Central accounts payable has no visibility of invoices are in the agencies awaiting payment (ARMS).

(c) Accounts Receivable and Collections

- Paper copies of invoices are kept for seven years.
- Bill retention policies vary by agency.

(d) Cash Management, Debt Management, and Treasury

- Paper-based documents are difficult to locate and not completely secured.

(3) Cost of Operations

Implementing document management and imaging provides a net benefit to the county over a ten year time period. Cost summary assumes document imaging is implemented after the county moves to a consolidated financial system. The cost calculation is based on accounts payable only; similar savings could be realized in the procurement area. Implementation Costs, Operating Costs, and Quantifiable Benefits are summarized in Exhibit III-11.

Exhibit III-11: Document Management and Imaging 10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$ 624,014
Incremental Operating costs*	440,960
Total Cost of Ownership	**1,064,974**
Quantifiable Benefits	20,274,858
Net Benefit	**19,209,884**
Net Present Value	**$13,402,851**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

(4) Benefits

Implementing a document management and imaging will provide both tangible and intangible benefits.

(a) Tangible

Exhibit III-12: Implement Document Management and Imagining Quantifiable Benefits Summary

Archive Costs	$ 1,154
Document Creation	2,211,000
Document Filing and Retrieval	278,000
Total Annual Savings	**$2,490,154**

Savings related to document imaging fall into four main categories:

- Avoidance of record storage fees for archived records. In 2003, 240 boxes were sent to the records center with an annual cost of $4.81. Annual savings are shown as Archive Costs on Exhibit III-12. This opportunity assumes that only new records are scanned. Documents already at the record center will remain in printed format.

- The State of Washington estimates that each filed document costs $12.00 of clerical and managerial time to prepare. Based on the number of boxes created annually, we estimate that anywhere between 180,000 and 220,000 invoice documents are prepared for payment and eventual filing. Annual savings by elimination of document preparation time is shown in Exhibit III-12.

- State of Washington Department of General Administration estimates that each inch of file space costs $48.30 to file and retrieve. Annual savings through online access to documents is shown in Document Filing and Retrieval on Exhibit III-12.

(b) Intangible

U.S. National Archives and Records Administration (NARA) has documented numerous benefits from moving to optical storage for government records, these include:

- Making records accessible to agency staff from remote locations and at any time.

- Providing rapid access to records needed in business dispute resolution.

- Reducing the need for parallel record keeping systems (e.g., paper and electronic).

- Ensuring authenticity and reliability of records.

- Ensuring the integrity of records and the security of record-keeping processes.

- Permitting retrieval of records based on keywords or record contents.

- Making it easier to create a variety of reports used to manage the collection of records.

- Facilitating audits.

(5) Constraints

- Health Department and other agency data may contain confidential information that cannot be made available to unauthorized users.

- Changes in job functions may affect union contracts. Prior to implementation, the county must determine the affected contracts and begin working with union representative to address any issues.

(6) Performance Measures

Exhibit III-13 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-13: Electronic Document Imaging and Document Management Performance Measures

Business Function	Current Performance Measures	Recommended Performance Measures
Account Payable	None	Number of file inches.
		Time required answering vendor inquiries.
Purchasing	None	Number of file inches.

(7) Role of Technology

Electronic document imaging requires new scanning hardware and software. Electronic document imaging does not require the county to have an ERP application; however, additional efficiencies can be realized when document imaging is integrated with ERP business processes.

d. Opportunity 4: Implement E-Procurement

Electronic-procurement (E-Procurement) is a subset of E-commerce that covers the entire cycle of the procurement or goods and services from requisition to receipt of goods. Government agencies have looked to E-Procurement to reduce purchasing cycle times and decrease spending for goods and services. E-Procurement takes a variety of forms; this opportunity focuses on the two most common E-Procurement initiatives:

- Increasing use of procurement cards (P-cards).

- Providing online/electronic catalogs for certain types of purchases such as office supplies.

(1) Process Documentation

The requisition process is eliminated; the vendor payment process is simplified.

(a) Expand P-Card Program

Currently, the Wastewater Treatment Division (WTD), Transit, and FBOD are piloting a P-card program. This program allows agencies to purchase goods under $2,500 with a credit card. The program has been well-received by agency staff. Rolling P-cards out countywide will require a new P-card contract to address issues with allowable commodities, 1099 reporting, and agency approval and accounting updates.

(b) Online Catalogs

With online catalogs, agency requestors can order goods from approved suppliers online. With E-Procurement these purchases are integrated with the financial system and automatically generate a requisition in the purchasing system. Workflow and automated processes then move the transaction through the financial system for approval and payment. The county is currently investigating opportunities to place the office supplies catalog online for IBIS only. This opportunity assumes that the county has already implemented and integrated financial system so that online catalogs can be used countywide. Rolling out E-Procurement for the IBIS agencies only is not consistent with the overall goal of implementing common business revenues county-wide.

Organizations who have achieved the greatest purchasing savings have:

- Reduced the number of suppliers.

- Analyzed spending amounts by commodity and supplier to negotiate better pricing.

- Implemented standard policies and procures to improve turnaround time.

- Managed the change to the new procurement model to assure a smooth transition.

(2) Organizational Impacts

This opportunity results in several organizational changes for the county:

(a) Centralized vs. Decentralized

- Some purchasing activities are decentralized with the use of P-cards and online catalogs.

- Purchases not addressed by P-cards and online catalogs remain centralized. It is expected that some purchasing functions, such a wastewater treatment, will remain decentralized due to the special nature of the items purchased.

(b) Roles, Responsibilities, and Authority

With P-cards agencies would be responsible for approving purchases and providing accounting information in a timely manner.

(c) Organizational Structure

No organizational structure changes have been identified.

(3) Process Gaps and Process Inefficiencies

This opportunity addresses many of the purchasing and accounts payable process gaps and process inefficiencies identified in the Assessment Chapter. Process efficiencies are realized by purchasing more items outside of the traditional purchase order process. Items addressed include:

(a) Purchasing

- There are two significantly different purchasing process related to the systems that support the process.

- The ADPICS/ARMS 3-way match process is manual.

(b) Accounts Payable

- Central accounts payable has no visibility of invoices are in the agencies awaiting payment (ARMS).

- The ARMS payment process is labor intensive.

- The invoice approval process may delay payments.

- P-card pilot has identified some accounting and 1099 reporting issues.

(4) Cost of Operations

Moving more purchases to E-Procurement and P-cards results in a net benefit to King County. A countywide P-card implementation can be done with existing technology. The costs presented below assume E-Procurement is rolled out countywide and is integrated with a single financial system. Implementation Costs, Operating Costs, and Quantifiable Benefits are summarized in Exhibit III-14.

Exhibit III-14: E-Procurement 10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$ 3,190,205
Incremental Operating Costs*	922,923
Total Cost of Ownership	**4,113,128**
Quantifiable Benefits	28,076,995
Net Benefit	**23,963,866**
Net Present Value	**$15,567,409**

* Incremental operating costs represent the increase in the costs to administer the P-card process.

(5) Benefits

Procurement Cards and electronic catalogs will allow the county to reduce the number of purchase orders processed.

(a) Tangible

Exhibit III-15 lists the benefits and the projected annual savings once fully implemented.

Exhibit III-15: E-Procurement Quantifiable Benefits Summary

P-Cards Process Savings	$ 127,800
Electronic Catalogs Process Savings	1,383,280
eProcurement Purchase Cost Savings	3,937,500
Total Annual Savings	**$5,448,580**

- P-cards replace the direct voucher process for purchases under $2,500. Based on transactions volumes with the current P-card program, estimated annual countywide P-card volumes would be 36,000. A recent GAO study estimated the cost to process a single voucher at $3.55. Savings from eliminating these vouchers is shown on Exhibit III-15.

- Electronic catalogs reduce the total number of purchase orders issued and greatly streamline the purchasing process. The county issued 28,825 purchase orders in 2003. Gartner estimates that 30 percent of an organizations purchase orders can be replaced with E-Procurement. The Hackett Group estimates the cost of the average purchase order is $175, while the cost of an E-Procurement transaction is $15. Annual savings are shown on Exhibit III-15.

- Consolidating vendors through electronic catalogs will allow the county to negotiate better pricing contracts with vendors. Gartner estimates total savings at about 8 percent of eligible purchases. Estimated annual savings are shown on Exhibit III-15.

(b) Intangible

- P-cards simplify the purchasing process for smaller items. It is a more efficient process than blanket purchase orders.

- P-cards provide an approved mechanism for filling emergency needs.

- E-Procurement through the use of electronic catalogs eliminates many of the manual processes currently performed today. The Seattle School District reports a 50 percent reduction requisition process cost savings as a result of their E-Procurement initiative.

- P-cards provide timely payment to county vendors.

- Because P-cards and electronic catalogs reduce the time required to complete a purchase, goods can be delivered more quickly. This may allow some agencies to reduce stock levels.

- Ordering through electronic catalogs normally gives buyers the ability to see and track orders online.

- Reduces inventory-holding costs by providing greater visibility across the supply chain.

(6) Constraints

- Pilot program issues with approvals, accounting codes, and 1099 requirements must be addressed before this program can be rolled out to additional agencies.

- A thorough examination of procurement law and policy is needed prior to rolling out business process changes. Laws that affect minority participation and purchase approval authority must be considered during the initial scoping phase of this opportunity.

- Consolidating vendors through the use of electronic catalogs may not support the county's non-financial procurement goals such as minority participation and environmental purchasing.

- ARMS does not have built in functionality to support E-Procurement through electronic catalogs. Oracle has the ability to support electronic catalogs; it has not been implemented.

(7) Performance Measures

Exhibit III-16 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-16: E-Procurement Performance Measures

Business Function	Current Performance Measures	Recommended Performance Measures
Purchasing	None	Number of purchase orders issued.
		Requisition process costs.

(8) Role of Technology

- P-cards require a vendor contract and software to support the approval and accounting processes.

- Electronic catalogs require a single integrated financial system in order to implement consistent business processes (IBIS can support electronics catalogs, ARMS does not).

e. Opportunity 5: Implement Capital Asset Management Best Practices

The county's Asset Management Policies were written in 1988 and are out of sync with current asset management best practices. Furthermore, they do not reflect the impact of the King County Metro merger, in particular the asset

management practices of the Transit and Wastewater divisions. The policies have not been updated to reflect infrastructure requirements required by GASB 34. Current policies do not address proper accounting treatment for asset dispositions and trade-ins. Additional policies and procedures will be needed in 2005 when the Governmental Accounting Standards Board Statement 42: Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries takes effect. The Finance and Business Operations Division (FBOD) created updated policies several years ago but these have yet to be adopted.

Exhibit III-17 illustrates the difference between the Counties adopted policies and the GFOA's recommended practices.

Exhibit III-17: Capital Asset Management Policies

	Current County Policy	GFOA Recommended Practice
Capitalization Threshold	$1,000	$5,000
Estimated Useful Life	Greater than one year from the	Greater than two years from acquisition date.
Infrastructure Assets	Not addressed	Should be treated separately, should encompass approx. 80 percent of tot non-infrastructure tangible capital-type items.
Non-capitalized Assets	Not addressed	Adequate control procedures should be established at the departmental (agency) level.
Asset Groups	Not Addressed	Apply capitalization thresholds to individual items, not groups.
Asset Useful Life	Not Addressed	Establish useful lives for major categories of capital assets.
Physical Inventory	Conduct Annual physical inventory of all capital assets	Structure physical inventory such that all assets are counted at least every five years.
Federally Funded Grants	Not addressed	Use required federal capitalization threshold ($5,000).

Sources:
   "Establishing Appropriate Capitalization Thresholds for Tangible Capital Assets,"
   GFOA, 2001.
   "The Need for Periodic Inventories of Tangible Capital Assets," GFOA, 2001.
   "Estimating the Useful Lives of Capital Assets," GFOA, 2002.

(1)   Process Documentation

This opportunity does not alter the current business processes significantly, but rather reduces the number of capital asset records tracked.

(2) Organizational Impacts

This opportunity does not significantly impact the county's organization.

(a) Centralized vs. Decentralized

Asset Management would remain primarily as is, a mix of centralized and decentralized processes.

(b) Roles, Responsibilities, and Authority

- Agencies would be responsible for controlling personal property that falls beneath the capitalization threshold. This would include items such as weapons and telephones.

- Training would be required to explain the changes in purchase order and voucher coding for non-capitalized assets.

(c) Organizational Structure

No changes to the organization structure are required.

(3) Process Gaps and Process Inefficiencies

This opportunity addresses several of the Process Gaps and Process Inefficiencies identified in the Assessment Chapter. With this opportunity, inefficient processes are addressed through a reduction in the transaction volume, not necessarily through process improvements. Items addressed include:

(a) Purchasing

- The ADPICS/ARMS 3-way match process is manual.

(b) Accounts Payable

- Fixed asset coding may delay payments.

(c) Capital Asset Management

- The county's asset capitalization threshold is low.

- IBIS asset purchases are manually entered in IVIS.

- Current county policy does not address asset disposition.

- Asset trade-ins are handled inconsistently.

- Annual asset physical inventory process is manual and time-consuming.

(4) Cost of Operations

Updating the county's Capital Asset Management policies requires very little up-front effort. By capitalizing fewer assets, county personnel can spend more time on critical asset management activities rather than administrative tasks. Implementation Costs, Operating Costs and Quantifiable Benefits are summarized in Exhibit III-18.

**Exhibit III-18: Updated Asset Management Policies
10-Year Cost and Benefit Summary**

Costs	
Implementation Costs	$ 4,426
Incremental Operating Costs*	10,123
Total Cost of Ownership	**14,549**
Quantifiable Benefits	1,360,135
Net Benefit	**1,345,586**
Net Present Value	**$1,011,760**

* Incremental operating costs represent the increase in the costs to support an annual review of the fixed assets policy.

(5) Benefits

Updating the county's Capital Asset Management policies provides an immediate return on investment; the implementation costs are fully recaptured in the first year the policy is adopted.

(a) Tangible

Exhibit III-19 lists the benefits and the project annual savings once fully implemented.

**Exhibit III-19: Updated Asset Management Policies
Quantifiable Benefits Summary**

Reduction in number of Capital Asset Records	$120,000
Total Annual Savings	**$118,000**

- Increasing the capitalization threshold reduces the number of fixed assets tracked thereby reducing the overall fixed asset processing costs, particularly year-end physical inventory costs. Current Capital Asset Management process costs are approximately $787,000 per year. Sixty percent of the county's 55,176 assets fall below the $5,000 threshold. Estimated savings are 15 percent as shown on Exhibit III-19.

(b) Intangible

- Reduces time coding fixed asset information on Accounts Payable vouchers.

- Reduces time spent preparing requisitions and purchase orders for assets under $2,500. Current county policy requires purchase orders for all capital asset purchases; procurement policy allows direct vouchers for purchases less that $2,500.

(6) Constraints

Requires a change to the county's existing Personal Property Inventory Management policy. This policy has already been drafted.

(7) Performance Measures

Exhibit III-20 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-20: Capital Asset Management Policies Performance Measures

Business Function	Current Performance Measures	Recommended Performance Measures
Asset Management	None	Number of active asset records.

(8) Role of Technology

This opportunity can be implemented with existing applications.

2. Human Resources Opportunities

The focus group interaction with King County subject matter experts identified several opportunities for large-scale improvement within the existing county policies, practices and procedures. Evaluation of the individual opportunities was undertaken with an eye toward how addressing these challenges would work to enhance the county goals of:

- Consistency.

- Accuracy.

- Accountability.

- Improved Communication.

- Better Decision Support.

- Efficiency.

- Increased Service.

These analyses resulted in five overarching high pay back areas rising to the top as those with the potential to significantly increase the effectiveness and efficiency of King County. The five high payback areas for Human Resources are:

- Implement performance management best practices.

- Refine and standardize the collective bargaining processes.

- Develop and implement succession planning and mentoring programs.

- Automate, integrate, and standardize processes.

- Implement quality management.

a. Opportunity 1: Implement Performance Management Best Practices

The King County Code, Section 3.12.350 requires the establishment of personnel guidelines to include employee performance evaluation, yet one of the most significant problems facing the Human Resources Business Area is the absence of consistent performance measurement of the county workforce. Employees who clearly understand the expectations of their job function, and are regularly measured as to their performance related to the expected performance are more productive. In a study of 1,300 worldwide employers, published by Towers Perrin in January 2004, 62 percent said that performance management programs improved the link between activities and business results. This same study indicated that performance measurement and improvement programs make employees aware of how and where their performance supports (or does not support) business activities and works to increase employee involvement and commitment to the business goals and objectives.

At present, King County has a performance appraisal process in place that, when used, reportedly meets their needs. Employees are rated in a number of areas pertinent to their knowledge, skills, and abilities on a scale of one to five. The current performance appraisal should be viewed to determine if it is effective in accurately measuring employees' performance and if it supports development of a succession planning strategy.

Additionally, the county has an individual development plan process by which employees are able to rate themselves and identify areas in which they wish to grow and move as their career with the county progresses. In the individual development plan process, the employee is able to identify both long- and short-term goals.

Neither the performance appraisal nor the individual development plan processes are mandatory, nor are they used consistently. In addition, the performance appraisal process is used as a means to obtain a merit pay increase. This is not an appropriate use of the PA process.

King County must adopt consistent policies of performance management and performance improvement with regard to the workforce. The policy should require consistent use of the tools that measure whether or not the workforce is meeting the needs of their positions. World class employers understand that quality employees must be informed and have buy-in to the processes applicable to any given job function in order for any process to operate at its optimum level. This opportunity can be implemented immediately. Best practices indicate the policy should include the following components:

- Make an annual performance appraisal mandatory as a means to measure performance.

- Design a more comprehensive performance appraisal that measures employees on a broad base of knowledge, skills, abilities, actions, and attitudes. Special attention should be paid to capturing additional information on knowledge, skills, and abilities that can be utilized to support other human resources analyses, such as succession planning.

- Make the individual development plan mandatory (not less than every two years) and use it as a means to identify talent and interest for other positions or areas within the county. This also supports succession planning.

- Tie the completion of performance appraisals, as well as individual development plans, to management performance. World class organizations are tying the performance metrics of supervisors and managers to measurable improvement of the workforce as quantified in performance measurement programs. Doing so will encourage compliance as well as provide measurable results of ongoing performance.

Since the county has not consistently used or applied performance measurement programs in the past, it is necessary that the first year's performance appraisals

and individual performance plans be used as baselines by which future evaluations can be measured and compared.

Exhibit III-21 illustrates the many uses for data collected in performance appraisal/performance management process.

Exhibit III-21: Future Human Resource Business Area Process –
Uses for Performance Measurement
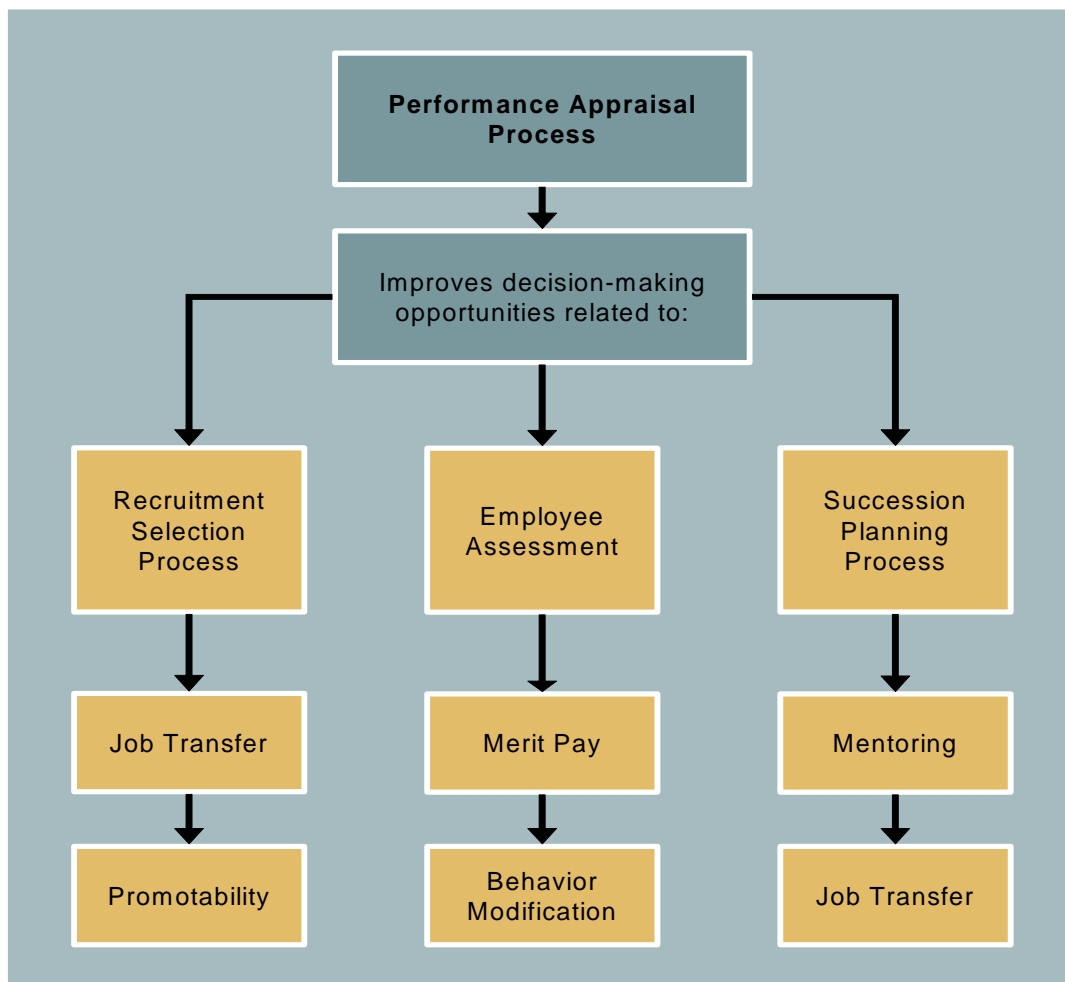
(1) Organizational Impacts

(a) Centralized vs. Decentralized

- The majority of tasks related to the performance management and performance improvement programs should be decentralized, as the access to performance data, as well as familiarity with the

strengths and weaknesses of individual employees, is most clearly known by personnel in areas where they work. Customers and suppliers should be consulted as appropriate to obtain input from employees they do business with.

- Departments should be responsible for the administration, storage, and accountability to the process of the individual performance measures.

- The HRD should monitor the departments to confirm that the evaluations are being completed on schedule and in a timely manner.

(b) Roles, Responsibilities, and Authority

- Departments themselves should be responsible to manage performance management and performance improvement plans.

- The Service Delivery Manager in the departments should be the conduit for communicating with HRD. Examples of this would be grievance investigation, job transfer, promotion, and merit pay requests.

- Departments should regularly report accomplishments around performance appraisals, etc. to the HRD through the Service Delivery Managers.

(c) Organizational Structure

- No significant organizational structure change is necessary.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This opportunity addresses a majority of the process efficiencies, process gaps, and process inefficiencies identified in the Assessment Chapter, including:

(a) Human Resources Planning, Selection, and Placement Function

- Job Review Process.

  - Position inequities in same classification.

  - Limited ability to determine competencies.

- Recruitment and Selection Strategy Process.

  - Difficult to attract qualified applicants.

  - Difficult to hire old/new skills in same employee.

- Recruitment Process.

  − Multiple postings sometimes necessary.

- Selection Process.

  − Inadequate training.

(b) Compensation and Benefits Function

- Classification System Development Process.

  − Process influenced by employees.

  − Salary tends to be classification basis.

  − Inconsistent job coding.

- Classification/Compensation Administration Process.

  − Unfairly influenced classifications.

(c) Organization and Individual Productivity Function

- Employee Development Process.

  − Inefficient access to training.

  − Lack of employee improvement plans.

  − Lack of supervisor accountability.

  − Lack of supervisor training targets.

(d) Labor Contract Management and Employee Relations Function

- Grievance and Disciplinary Administration Process.

  − Inadequate understanding of appropriate disciplinary actions.

  − Lack of standardized disciplinary process.

- Performance Appraisal and Merit Pay Process.

  − Lack of appraisals for unionized employees.

  − Incorrect merit pay focus.

  − Lack of effective performance improvement tools.

(e) Human Resources Function

- Community Development.

  - Untimely training completion.

(3) Cost of Operations

Implementation costs, operating costs and quantifiable benefits are summarized in Exhibit III-22.

**Exhibit III-22: Implement Performance Management Best Practices
10-Year Cost and Benefit Summary**

Costs	
Implementation Costs	$ 105,000
Incremental Operating Costs*	15,858,760
Total Cost of Ownership	15,963,760
Quantifiable Benefits	177,118,864
Net Benefit	**161,155,104**
Net Present Value	**$122,796,010**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

- Currently King County spends $722,433 annually in support of performance appraisals, individual development plans, and merit pay processes. For purposes of this report, it has been assumed the costs of this amount breakdown in the following manner:

Activity	Percent	Cost
Performance Appraisal	40	$288,973
Individual Development Plan	10	72,243
Merit Pay	50	361,217
Total		**$722,433**

The county reports that approximately 40 percent of the county workforce (6,313 employees) had performance appraisals last year for a performance appraisal cost of nearly $46 per employee. Completing performance appraisals for the balance of the county's workers (9,470 employees) would require an incremental cost of $433,482 annually.

- Currently, the individual development plan process is not frequently used in the county. Based on the assumption that 10 percent (1,578 employees) of the county staff completed the individual development plan process last year, the cost of an individual development plan is nearly $46 per employee. Completing individual performance plans for the balance of the county's workers (14,205 employees) would require an incremental cost of $650,324. Assuming that an individual development plan would be performed by every employee every two years, the annual incremental cost would be $325,162.

- Currently, 6.4 FTE's are staffing the Human Resources subfunction related to performance appraisal and merit pay. The addition of 9,470 performance appraisals and 14,205 individual development plans would necessitate 4 additional staff located centrally at an annual salary plus benefits of $83,700 each.

- It is anticipated that the actual costs associated with merit pay would not change, rather it would be awarded to people based upon true merit criteria.

(4) Benefits

Exhibit III-23 shows the following tangible benefits that can be realized by the county by implementing performance management and performance improvement best practices.

Exhibit III-23: Implement Performance Management Best Practices
Quantifiable Benefits Summary

Savings from increased retention	$ 2,718,000
Savings associated with upgrading underperforming employees	11,363,760
Total Annual Savings	**$14,081,760**

(a) Tangible Benefits

- Retaining good employees is becoming more and more critical to business success or failure. The first step in employee retention is to determine which employees to retain through consistent, quantifiable measurement of performance on an ongoing basis.

  A recent study (*Workforce Planning: The Strategy Behind Strategic Staffing*, Christina Morfield, September 2002, HR.com) indicates that in most workforces only 34 percent of employees fall into the category of high performers, 8 percent are considered transitory, 31 percent are considered stable, and the remaining 27

percent are considered underperforming (*Employees and Profits: How to Increase the Bottom Line*, John Towler, February 2004, HR.com). Identification of the underperforming 27 percent through a process of qualification and quantification will allow the county to maximize efficiency in one of two ways: 1) by eliminating those workers through voluntary or involuntary separation; or 2) by improving the performance of those workers so they are no longer considered inferior. Eliminating underperforming workers allows for the redirection of attention and resources to productive employees.

- Assuming 20 percent (3,157) of the county's workforce is underperforming, based on the studies and that the cost of 'dealing with and/or re-working' the work of those employees costs an average of 30 percent of their annual salary. Improving the output of these underperforming workers would result in benefits accruing to the county. If 20 percent (631) of the underperforming workers could be upgraded through performance measurement programs, the annual savings would be approximately $18,000 per upgraded employee for the aggregate annual benefit shown in Exhibit III-23.

  Research indicates that it costs anywhere between 150 and 250 percent of a position's annual salary to replace the position (*Costing Human Resources, 4th Edition*, Wayne Cascio, 1999, South-Western College Publishing). In 2003, 453 King County positions were vacated, not including positions vacated by retirees. Assuming that 20 percent of those positions (91) were vacated by workers that the county regrets losing, a substantial savings can be realized by proactively preventing the loss of those workers. Using a very conservative replacement cost of 50 percent of salary, retaining 91 valuable employees each year that have an average annual salary of $60,000 would generate the benefit shown in Exhibit III-23. Additional benefits would be realized in retaining the detailed knowledge of employees who do not leave.

(b) Intangible Benefits

The intangible benefits of moving forward into a culture of performance management and performance improvement are many:

- Increased commitment to efficiency.

- Increased awareness of where individuals meet and/or exceed identified job expectations.

- Increased employee accountability for job performance.

- Increased efforts by 'average' employees in job performance to increase their performance appraisal ratings.

- Increased morale due to high performers being rewarded by true merit pay.

- Greater alignment between job positions and core organizational values and goals.

- Improved information on which to base job promotion, succession planning, and merit pay.

(5) Constraints

- Currently, the largest single constraint is a lack of available resources in terms of people, time, and money. Developing an atmosphere of evaluation and continuous improvement takes consistent and thoughtful attention toward short-term action at a higher price, with an understanding it will set the stage for long-term improvement.

- The county does not currently have a culture that is conducive to self-evaluation, nor are they used to including customers and/or suppliers to the analysis of performance. This will require a significant culture change, one of openness to criticism. Initially, there may be significant resistance to the changing processes.

- The county has not usually completed performance appraisals for represented employees in the past because they receive step increases as negotiated in the contracts. A program of performance measurement should be negotiated into the union contracts.

- Implementation of programs that measure performance will likely be met with resistance and criticism from position incumbents, especially those whose performance will not be measured in line with their own self-measurement.

- Grievances could initially increase with those who are unhappy with the implementation of performance measures. Union contracts should be changed as necessary to reflect the ability to measure performance accordingly and take necessary actions related to poor performers. Prior to implementation, the county must determine the affected contracts and begin working with union representatives to address any issues.

- The county has created an atmosphere of routinely awarding merit pay. The primary motivator in granting merit pay is normally not currently exemplary behavior. It is more a methodology of rewarding the workers, regardless of whether or not their performance and/or behavior could be considered exemplary. This current mindset and atmosphere must be addressed head-on with clear definition of the intent of merit pay and the reasons it should be awarded. No exceptions

should be made to the new process. Questions and/or concerns should be addressed in a timely manner. Addendums to the new process should be clearly communicated to all impacted staff.

(6) Performance Measures

Exhibit III-24 lists the measures currently in place related to this opportunity as well as recommended measure to assess project success.

**Exhibit III-24: Implement Performance Management Best Practices
Performance Measures**

Category	Recommended Performance Measures
Performance Management	Number of annual performance appraisals completed.
	Baseline measurement in 1–5 rating.
	Subsequent year's measurement in 1–5 rating in comparison to baseline year.
	Number of Individual Development Plans completed.
	Number of growth opportunities that arise out of individual development plans.
	Number of succession candidates placed using performance appraisals and individual development plans in evaluation/consideration process.

(7) Role of Technology

Improving the performance management and performance improvement best practices requires additional tools to support the processes. Tools needed to support the opportunity include:

- An employee performance appraisal database to track when performance appraisals are due, completed, and the results of the appraisal. This capability should be integrated with the human resources databases, including training needs, salary adjustments, and grievances.

- An online individual performance plan tool integrated with the human resources databases to identify training needs, promotion opportunities, and employee statistics.

- Reporting tools to provide analysis of performance metrics, training needs, and performance targets.

- Standard and exception reports to identify needed reviews, tardy reviews, and follow-ups.

b.   Opportunity 2: Refine and Standardize the Collective Bargaining Processes

- **Current Practices**

    Currently King County operates under the terms of 85 collective bargaining agreements and 65 union contracts. The language and terms of these collective bargaining agreements and contracts varies considerably. In many instances, while the language contained in the collective bargaining agreements and/or contracts is dissimilar, the intent of the language is the same. These disparities have resulted in grievances and litigation because of misinterpretations of the contract language.

    Once a contract has been finalized, the county has 30 days to enact the terms therein. This includes system enhancements which can be frequently complex and require significant analysis, programming, and testing time. The level of complexity, coupled with the need to enhance two separate human resources/payroll systems to reflect any changes to the contract, often results in the diversion of significant resources from other projects. Issues representing a few cents per county worker under a contract can require the equivalent of hundreds or thousands of dollars in resources to implement. In addition, there have been contracts negotiated with terms that one or both of the two existing human resources/payroll systems could not support. Manual administration or the augmentation of ad hoc systems has been necessary to support these terms.

    As the contract is negotiated and/or administered, issues arise that cause additional changes. These changes are often clarified in memorandums of understanding. These documents stand separate and apart from the contract itself, but must be included in interpreting and administering contracts. Currently, the county does not have a single location, or data warehouse, which houses the contracts, memorandums of understanding, and other applicable documentation. The absence of one central 'go to' location for information results in excessive time to locate information necessary to research and resolve challenges. This process is manual and often requires consulting several sources to obtain all information. As a result, there is an increased chance for error. These errors sometimes result in misinterpretation of policies and/or procedures that can lead to grievances and/or litigation.

- **Future Practices**

    − **Language/Lexicon Standardization**

        The process of negotiation of each of these individual collective bargaining agreements and/or contracts is remarkably complex and quite often time-consuming. King County should move toward standardizing the language used in collective bargaining agreements and contracts in order to improve the process of interpreting and administering them. Reducing the number of differences in agreements

and/or contracts will streamline the negotiation process and will reduce conflict by lowering the probability of misinterpretation of the intention of the language.

Best practices indicate that one committee, which represents all affected parties to the contract process, should also be convened to establish standards. Membership in the committee must be consistent from contract to contract to encourage consistency in practice as well as an understanding of how and why decisions are reached. Documentation of the process is critical. Using the services of a formal scribe is recommended.

– **Stakeholder Involvement in Negotiations**

The cost effectiveness of issues being negotiated would be refined and streamlined if a standing committee was convened to review and discuss contracts prior to and during the negotiation process. Best practices again indicate that all affected parties be included in this process. We recommend the committee include the existing negotiation team as identified in the Human Resources Unification Project workflow included in Appendix C, plus fund managers, systems analysts, and programmers. The value of adding these parties to the process will be two-fold: 1) It will provide the negotiating team with advice regarding existing system or process constraints, and 2) It will provide early notification to the staff that must implement the terms to allow better planning and resource deployment.

Exhibit III-25 illustrates the makeup of the contract review team.

The opportunity to refine and streamline the process of union negotiations and contract administration should be implemented immediately. Best practices indicate that the following components should be included:

- Move toward standardization of contract language as new contracts are negotiated. A standing committee with consistent membership is ideal.

- Develop standing committees that include all facets of planning and negotiations, as well as the administration of collective bargaining agreements and contracts. The consistent participation of high-level decision makers is ideal.

- Develop a single data warehouse that identifies all attachments to existing contracts for consistent application and administration of contract issues.

- Language Standardization Team members should include:

  – Legal Counsel.

  – HRD Management.

- Labor Negotiator.

- Labor Relations.

- Contract Administrators.

- Service Delivery Manager — as needed.

- Union Representative (best practice includes union representatives).

Exhibit III-25: Contract Review Team
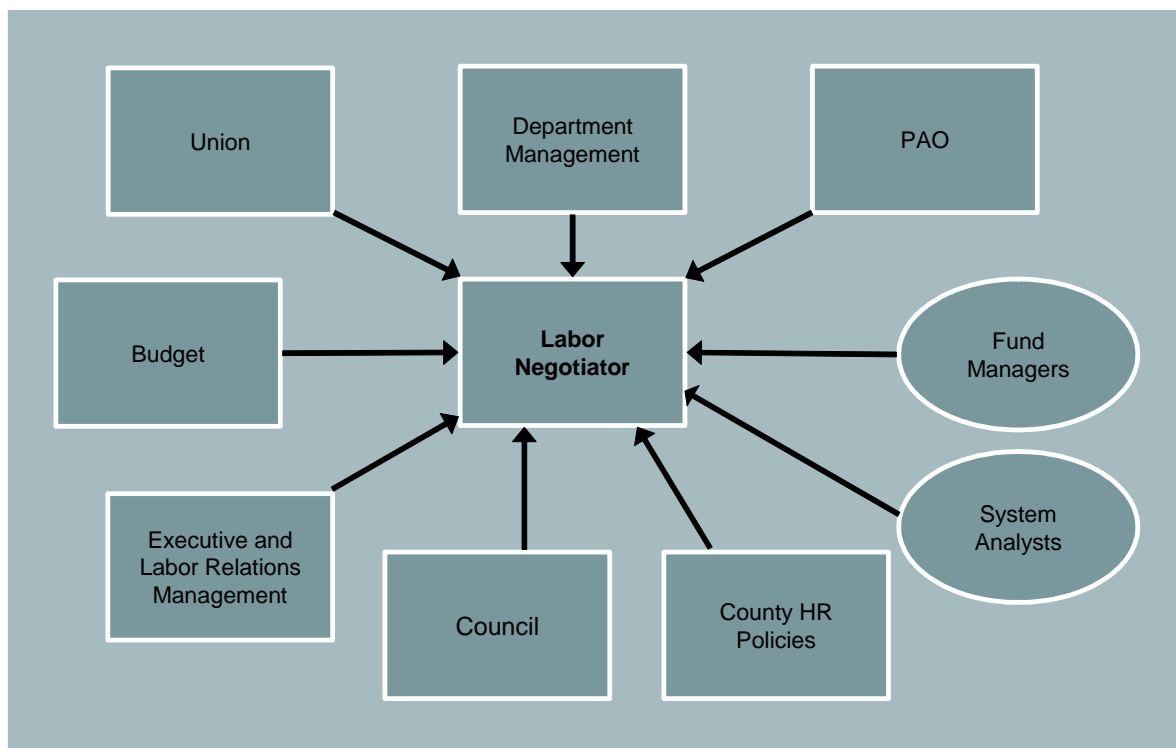
(1) Organizational Impacts

(a) Centralized vs. Decentralized

- The processes of planning negotiation and administration of contracts should be decentralized in order to facilitate the involvement of key stakeholders from other departments.

(b) Roles, Responsibilities, and Authority

- Committee members should be consistent and of high-level decision-making authority.

- The committee itself needs to thoroughly document discussions and outcomes for future reference.

- The HRD, as well as individual departments, needs to clearly identify and fully document any challenges that arise from contract administration so that the process of continual assessment for reasonableness and applicability can continue.

- The Service Delivery Manager should be the conduit for thoroughly investigating, documenting, and communicating issues that arise in the departments to the committee.

- The Service Delivery Manager should also act as a warehouse for information specific to contracts of unions applicable to that department's services and should attend and participate in the committee meetings to ensure that a complete understanding of the challenge at issue is fully understood.

(c) Organizational Structure

- No significant organizational structure change is necessary.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This section addresses a majority of the process efficiencies, process gaps and process inefficiencies identified in the Assessment Chapter, including:

(a) Human Resources Planning, Selection, and Placement Function

- Job Review Process.
  - Lack of standardized lexicon.

(b) Compensation and Benefits Function

- Classification System Development Process.
  - Process complicated by labor agreements.
  - Lengthy development process.
  - Process complicated by union negotiation.
- Pay Implementation Development Process.
  - Insufficient documentation of contract versions.
  - Inconsistent contract language.

(c)   Labor Contract Management and Employee Relations Function

- Labor Contract Negotiations Process.

    − Lack of program manager involvement.

    − Inexperience in negotiation may exist.

    − Lack of contract consistency.

    − Resistance to contract consistency.

    − Lack of standard negotiation guidelines.

    − Lack of management and contract implementer involvement.

    − Lack of historical contract repository.

- Labor Contract Administration Process.

    − Lack of point of contact.

    − Lengthy feedback process.

- Grievance and Disciplinary Administration Process.

    − Inadequate understanding of appropriate disciplinary actions.

    − Inadequate grievance tracking capability.

    − Lack of historical contract repository.

(3)   Cost of Operations

Implementation costs, operating costs, and quantifiable benefits are summarized in Exhibit III-26.

Exhibit III-26: Refine and Standardize the Collective Bargaining Process– 10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$ 0
Incremental Operating Costs*	981,832
Total Cost of Ownership	**981,832**
Quantifiable Benefits	2,068,415
Net Benefit	**1,086,583**
Net Present Value	**$ 797,450**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

King County has indicated that it takes, on average 8 months to negotiate a contract, with some taking more time and others less. Average contract duration is 3 years. Total annual hours per committee member is estimated at 80 to 100 hours. Over time, as contracts become more standardized, the committee hours will diminish, but do not anticipate this happening within the first 4 to 6 years.

(4) Benefits

(a) Tangible Benefits

In 2003, the county personnel costs for collective bargaining and associated processes totaled $3,288,969. It is estimated these costs can be reduced by 5 percent by realizing the tangible benefits associated with this opportunity.

- Consistent use of language reduces the chances of misinterpretation of the intent of contract language. Thus, instances of conflict, such as grievances and litigation, and those costs associated, will be reduced. The county recorded 282 grievances in 2003. This does not include conflicts resolved before the "third stage," i.e., when the conflict becomes an official grievance.

- Involving key administrators early in the planning process will allow for proactive planning and activity on the administration side concurrent with ongoing negotiations. This will reduce and possibly eliminate overtime hours associated with the 30-day mandate to implement contracts.

- Issues that are being negotiated for which system limitations apply, or costs are prohibitive, can be identified earlier in the process, thus allowing for time to develop alternatives.

- Standardization should reduce the time to complete contract negotiations.

- Standardization will reduce the amount of resources (time, staffing, and money) spent on system changes and/or augmentation.

(b) Intangible Benefits

The intangible benefits of moving forward into a culture of performance management and performance improvement are as follows:

- Increased commitment to efficiency.

- Greater access to information in a timely and consistent manner.

- Building/supporting a stronger communication infrastructure, thus increased teamwork and commitment to unifying county policies and procedures.

- Greater alignment with King County goals and objectives.

- More productive use of county resources of money, staff, and time.

(5) Constraints

- The process of contract and collective bargaining agreement negotiation is not unilateral. Agreement with and from the unions will be necessary. The input of unions could likely slow the negotiation processes initially; however, once consensus is reached, the time to complete negotiations will be reduced.

- The county has an obligation to enter into union negotiations in 'good faith and with the intention of fair dealing.' This means that all issues are potentially up for negotiation. It is critical that all parties involved be aware that until the contracts and/or memorandums of understanding are signed, all areas previously agreed to in principle are potentially open to renegotiation. Therefore, determining a balance between planning and action in terms of system enhancements will be required.

- Commitment to attendance and participation on the standing committees without fear of retribution is required to obtain buy-in from all participants and to encourage honest feedback about process and/or procedural functionality.

(6) Performance Measures

Exhibit III-27 for negotiation and administration of union contracts lists the measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-27: Refine and Standardize the Collective Bargaining Process – Performance Measures

Category	Recommended Performance Measures
Collective Bargaining	Number of clauses across contracts that use consistent language.
	Reduction in overtime hours needed to comply with required 30 day contract implementation.
	Time necessary to complete contract negotiation process.
	Number of grievances after standardization process occurs as to language.
	Number of lawsuits after standardization process occurs as to language.

(7) Role of Technology

No new technology is required to implement this opportunity.

c. Opportunity 3: Develop and Implement Succession Planning and Mentoring Programs

Over the next 3–5 years, approximately 23 percent of the current King County workforce will become eligible for retirement. Exhibit III-28 presents a summary of the retirement projections by department.

Exhibit III-28: Retirement Projections

Department	Total FTE's	Eligible for Retirement Through 2008	Percentage of Current Workforce (%)
Assessments	229	86	38
DAJD	889	206	23
DCHS	660	104	16
DDES	233	83	36
DES	1,598	334	21
DJA	227	44	19
DNRP	2,411	598	21
DOT	4,785	1,160	24
DPH	2,015	281	14
Executive	91	22	24
KCC	156	48	31
KCDC	404	65	16
KCSC	466	103	22
KCSO	1,052	307	29
PAO	567	94	17
Department not identified		88	
Total	**15,783**	**3,623**	**23**

(1)   Process Specific Documentation of the Knowledge Base of Incumbents

As these long-term county employees leave King County, a great deal of position or business area specific information will leave with them. An effort to understand the nuances of these positions and to document the knowledge of incumbents should be immediately undertaken. Without this documentation, the processing time and the probability of errors by successors will significantly increase. This could lead to an increase in dissatisfaction with county services. Industry experience indicates that efficiency could decrease a minimum of 15 percent for the affected positions without specific documentation.

(2)   Succession Planning

King County should take immediate action to identify the key positions within the county whose incumbents are scheduled to retire. Where possible,

the county should identify and prepare successors for those positions. Currently, this is one of the specific Human Resource Management Business Goals that has been identified. The initial planning for succession planning is addressed in the Human Resources Unification Project.

The opportunity to capture and document position specific knowledge for key positions and to identify and begin to prepare successors to key positions should be implemented immediately. Best practices indicate that the following components should be included:

- Key positions in all business areas, and at all levels of the organization, should be identified. Many organizations undertake these actions with the mistaken belief that 'key' positions are predominantly those in high-level leadership positions. In truth, this is often not the case; key positions exist at all levels of an organization.

- Documentation should include the 'normal' knowledge, skills, and abilities to successfully function in any position, as well as the nuances and the 'out of normal' exception processes. Most often, it is in the undocumented exception processes that the most costly mistakes are made.

- Desk manuals that document the specific information for the successor to a position to succeed are needed. Online documentation is optimum, but paper copies can be used in the interim.

- Successors for the key positions need to be determined. Several tools, many of which are recommended in opportunity #1, implement Performance Management Programs used to determine the most qualified successor candidates. These are:

  - **Performance Appraisals —** These identify key knowledge, skills, and abilities of employees. They also can be used to identify intangibles, such characteristics as 'flexibility, loyalty, ingenuity, and creativity.'

  - **Individual Development Plans —** These plans will be helpful to identify key talents and strengths. They can also pinpoint the interests of people who may be considered as successors. Research indicates that the greater the job match to the interests of the person in that position, the higher the employee retention quality of work output by the person in the position.

  - **Mentorship Programs —** Formal and informal mentoring programs can and should be used as 'testing grounds' for potential successors. Currently the county does not use mentorship programs. Mentorship programs benefit both the employer and the employee.

    Employers get to 'test drive' those individuals they are considering as successors to any given position. During this process, employers

can determine whether or not the person being mentored is a good fit for the position, and whether that person's knowledge, skills, and abilities are in line with the job requirements, organizational culture, and the identified goals and objectives.

Employees also get to 'test drive' the position to see if the expectations of the position and its requirements for performance match their interest and abilities. It also allows employees to evaluate whether the position will enable them to reach their individual goals and objectives.

(3)   Best Practices in Successor Programs

World-class organizations have successor planning in place not only for high-level or 'key' positions, but they also have mentorship programs in place to identify potential successors for all positions within the organization above entry level.

Working to meet the organizational growth needs with people already in the organization has numerous advantages. Initially, employee retention is improved. Key talent within any organization expect to attain their professional goals within their organization. These loyal and valuable employees want to know that their hard work and efforts are going to create opportunities for advancement. Failure to advise these workers what opportunities for growth and advancement are available to them can lead them to look outside of the county for advancement.

Implementing the ability to identify successors from the pool of the existing county workforce will reduce the vacancy time for those positions as incumbents retire. Identification of the successor prior to retirement could significantly reduce, or even eliminate, the vacancy time.

(4)   Best Practices in Mentorship Programs

World-class organizations take advantage of both informal and formal mentoring programs.

Informal mentoring opportunities arise when people in all positions are allowed to share knowledge with another person. These opportunities include sharing a specific job task, working together on a project, or filling in for someone out of the office. Often informal mentors and those to be mentored find one another without the input or assistance from management.

Formal mentoring programs are more structured. People who wish to be mentored are paired with the incumbents of those positions in which they are interested. The relationship is supported by management by encouraging the mentor and those being mentored to spend the time needed to

understand the requirements and expectations of the position. In developing formal mentoring programs, several issues should be considered:

- Not all individuals in the workforce will wish to be mentors.

- Not all workers who wish to be mentors are qualified to do so.

- People learn differently; it is critical that training and learning styles be matched when pairing people.

- Personalities also have a significant impact. Compatible personalities should be matched to the degree possible (outgoing, introverted, verbal, etc.).

- A focus and consistency is also critical. Mentoring takes the time of both parties. Management needs to understand this and do consistent check-ins with both parties to make sure the objectives for mentoring are being met.

(5) Organizational Impacts

(a) Centralized vs. Decentralized

- The completion of the succession planning process will have both centralized and decentralized components. Departments can be charged with the tasks of identifying the need for successors, as well as identifying and managing the talent pool available for departmental replacements. Keeping this function within the departments will allow the departments to focus on candidates with department-specific knowledge. Identifying possible successor candidates in the department will enhance the development of mentoring opportunities.

- The HRD should facilitate possible succession and mentoring opportunities between departments.

- The HRD would participate in all discussions in order to maintain a system of checks and balances and to ensure that the process of choosing those to be mentored and or successors is equitable and based upon reasonable consideration of all candidates and on county hiring rules.

(b) Roles, Responsibilities, and Authority

- The Service Delivery Manager in the departments should be the conduit for communicating with HRD regarding the department's activities in succession planning and mentorship programs.

- The Service Delivery Managers could also be the coordinators for bringing mentors and those to be mentored together.

- The Service Delivery Managers should be the conduit for the information regarding potential successors to and from departments.

- Mentors should be responsible for creating regular opportunities for those they mentor.

- Those being mentored must keep up with the schedules and expectations established in conjunction with their mentors.

- It is the responsibility of mentors and those being mentored to bring greater challenges to the mentorship program to the attention of management. Challenges could include time constraints, inappropriate job skill matches, and the like.

- Departmental management should be responsible to schedule regular evaluation processes of the mentorship situations within their departments. Measurement of the effectiveness of the program should be undertaken on a regular basis and changes should be implemented as needed.

(c) Organizational Structure

No significant Organizational Structure change is necessary.

(6) Process Efficiencies, Process Gaps, and Process Inefficiencies

This section addresses a majority of the process efficiencies, process gaps, and process inefficiencies identified in the Assessment Chapter, including:

(a) Human Resources Planning, Selection, and Placement Function

- Workforce Management and Succession Process.

  − Limited succession planning.

  − Limited access to information.

- Job Review Process.

  − Inconsistencies due to errors.

  − Limited ability to determine competencies.

- Recruitment and Selection Strategy Process.

  − Difficult to attract qualified applicants.

  − Difficult to hire old/new skills in same employee.

- – Slowed hiring process due to hiring freeze.

- – Resistance to sharing recruitment information.

- Recruitment Process.

  - – Multiple postings sometimes necessary.

  - – Lack of training in applicant tracking software.

  - – Application may not always be necessary.

(b)   Labor Contract Management and Employee Relations Function

- Performance Appraisal and Merit Pay Process.

  - – Lack of appraisals for unionized employees.

  - – Lack of effective performance improvement tools.

(c)   Human Resources Function

- Quality Assurance.

  - – Lack of quality assurance.

- Human Resources Information Management.

  - – Insufficient MSA user documentation.

(7)   Cost of Operations

Implementation costs, operating costs, and quantifiable benefits are summarized in Exhibit III-29.

**Exhibit III-29: Develop and Implement Succession Planning and Mentoring Programs
10-Year Cost and Benefit Summary**

Costs	
Implementation Costs	$ 660,000
Incremental Operating Costs*	5,436,435
Total Cost of Ownership	**6,096,435**
Quantifiable Benefits	16,729,603
Net Benefit	**10,633,168**
Net Present Value	**$ 7,875,137**

*   Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

(8)   Benefits

(a)   Tangible Benefits

The following tangible benefits have been identified for this opportunity:

- Retaining good employees is becoming more and more critical to a program's success or failure. Employee retention reduces costs associated with replacing those employees who leave. As noted previously in this report, one of the primary reasons good employees leave organizations is because they are unhappy with the job itself. One way to address the issue of job fit is by providing opportunities for employees to try out positions.

- The time it takes to fill vacant positions can be reduced when successors, or potential successors, have been previously identified. The average time between identification of a vacant position and filling that position is not available from the county. According to a recent Washington State survey, their average time for placement is 43 days. When placing an internal candidate previously identified as a potential successor, the time between vacancy and placement could be reduced by 50–75 percent.

- The following computation uses retirement projections for the next five years provided by the county and best practice metrics for improvement factors.

  – **Retirement Eligible FTE's.** 3,623 FTE's will reach retirement age at King County over the next 5 years.

- **Key Positions.** Assume that 60 percent (2,173) of these people fill what would be considered 'key' positions and that 60 percent (1,304) of those 'key' workers retire when they become eligible.

- **Replacement Costs.** Assume that 50 percent (652) of the 'key' positions being vacated due to retirement can be filled internally, and further assume that the county spends 50 percent of an annual salary ($60,000) to replace a position. The total cost for replacement of 652 'key' positions would be $19,560,400.

- **Succession Planning Costs.** Assume the costs associated with succession planning activities represent 33 percent of an annual salary ($60,000) for the position. Succession planning costs for 652 retirees total $12,909,600.

- **Benefit Calculation.** Comparing the replacement-based costs ($19,560,000) for the 652 positions to the succession-based costs ($12,909,600), shows a resulting benefit to the county of $1,330.080 per year for 10 years or $16,729,603.

(b) Intangible Benefits

The intangible benefits of moving forward into a culture that uses the tools of succession planning and mentorship programs include:

- Increased job satisfaction.

- Higher employee retention.

- Reduced lag time in bringing employees new to positions up to speed.

- Increased job performance.

- Greater alignment between job positions and the knowledge, skills, and abilities needed to fill those positions effectively.

(9) Constraints

- Currently the largest single constraint at King County is a lack of available resources in terms of people, time, and money. Developing an atmosphere that supports and fully utilizes the process of mentoring and succession planning takes consistent and thoughtful attention toward short-term action at a higher price, with an understanding it will set the stage for long-term improvement at a significant cost savings.

- Due mainly to time constraints, the county does not currently have a teaching atmosphere. Cultural change takes effort and effective communication. There may be resistance to openly sharing knowledge because of territorial boundaries.

- The process of mining for knowledge of those in line to retire must be done with great tact to avoid even the appearance that they are being 'forced out' of the organization. Failure to implement this correctly and with respect could lead to increased grievances and/or litigation associated with age discrimination.

- Mentorship programs do not have to be overly complex, but they must be accessible to everyone. The current perception of the workforce is that people are chosen for projects, promotions, and other growth opportunities, not because of their talents, but based on favoritism. This perception will have to be addressed directly. Failure to establish equitable guidelines on who is eligible for mentoring programs (as mentor or mentored) will undermine any efforts.

- Serious consideration needs to be given to selecting both mentors and those to be mentored. Potential challenges arise in incompatible mentor/mentored matches in terms of learning style, personality, and willingness to participate.

- Mentorship programs and/or succession planning may be impacted by the presence of union contracts. Prior to implementation, the county must determine the affected contracts and begin working with union representative to address any issues that have been identified.

- There are specific laws governing how positions are filled, providing for equal opportunity and preventing discrimination. The mentoring and succession planning programs must operate within these laws.

(10) Performance Measures

Exhibit III-30 lists the measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-30: Develop and Implement Succession Planning and Mentoring Programs – Performance Measures

Category	Recommended Performance Measures
Succession planning	Number of successors placed from previously identified internal candidates.
	Number of days takes to fill vacant position.
	Amount of salary savings related to internal successor placement.

(11) Role of Technology

Technology will provide information needed to establish and maintain the mentoring and succession program. Key information in the human resources system that supports the opportunity includes:

- Hiring internally.

- Succession planning potential.

- Promotions.

- Merit pay.

- Staffing.

- Career development.

- Need for training.

Implementation of a single human resources system will allow relevant information for all employees to be stored in a single database.

d. Opportunity 4: Automate, Integrate, and Standardize Processes

One of the most significant problems facing the Human Resources Business Area is the presence of two primary human resources/payroll systems. Additionally, due to the limitations in accessing data in one or both of the primary systems, the departments have found it necessary to purchase or develop ad hoc systems that will better support their individual needs.

Significant time is spent manually entering data into these ad hoc systems. Additional time is spent manipulating this data within the systems, and at times manual calculations are necessary to make the data usable. In at least one instance, the data that is extracted from MSA and PeopleSoft is so convoluted that it must be sent out for rework to make it usable. Additionally, the data gathering process used in decision-making and planning often involves consulting several sources, not the best use of the already short supply of resources.

Additionally, world-class companies are moving more toward human resources self service for the Human Resources division, management, and the employees. Best practices are moving toward providing access to employees both in the workplace and at home.

Consolidating the human resources/payroll systems is a King County goal. The Hackett Group, a firm specializing in best practice benchmarking, indicates that world-class companies use one system, while average is two to three systems per company. As noted above, the county operates a number of specific human

resources systems in addition to MSA and PeopleSoft. Best practices indicate that the following components should be included:

- Implement one human resources/payroll application.

- Implement employee and manager self service for:

    - Benefits.

    - Personal information changes.

    - Training.

    - Grievance tracking.

    - Recruitment.

    - Performance management.

    - Employment events (hiring/firing/promotion/retirement).

    - Job position changes.

    - Job classification / salary changes.

- Develop and implement a self-service recruitment website (serving internal and external job applicants).

- Provide for employees that do not have access to computers (example DOT) through service centers, kiosks, and remote access.

(1) Organizational Impacts

(a) Centralized vs. Decentralized

- Responsibility for the development of the Web interface should be a centralized effort, and should include feedback and input from end-users, developers, administrators, end-customers (example: insurance carriers to whom info would be downloaded), and other groups potentially impacted by such a system.

- These same groups should be considered stakeholders and be included in the needs assessment, development, planning, implementation, and testing phases. Continuous feedback as to what works and what does not will be crucial to success.

- The responsibility for the administration and maintenance of this system should be at a central level in order to maintain consistency, accuracy, and a method of checks and balances to determine if the system is meeting expectations. Security levels should also be maintained centrally.

- Moving toward Web access in and of itself redirects responsibility in a decentralized manner, moving the responsibility of data entry to end users, applicants, and departmental personnel. Therefore, significant attention needs to be spent in making sure the appropriate system edits and/or checks and balances are in place.

(b) Roles, Responsibilities, and Authority

- A standing committee should be created and be the gatekeeper through which requests are directed to FBOD. Committee members should include representatives from all stakeholder groups. The Human Resources Management Information Board should be sufficient to fill this role.

- The HRD should be the conduit by which requests from the departments and divisions are made to the committee.

- The Service Delivery Managers need to be the conduit for which system requests are directed to the HRD.

- All end users need to be responsible for making clear their system needs to departmental/divisional technical personnel.

(c) Organizational Structure

The impact of this opportunity on the Human Resources organizational structure have been included in the Payroll Business Area section of this chapter.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This section addresses a majority of the process efficiencies, process gaps, and process inefficiencies identified in the Assessment Chapter, including:

(a) Human Resources Planning, Selection, and Placement Function

- Workforce Management and Succession Process.

  - Inflexible process.

  - Inadequate resources.

  - Limited access to information.

  - Data inconsistencies due to two systems.

- Job Review Process.

  - Multiple job codes for same classification.

- − Inconsistencies due to errors.
- Recruitment and Selection Strategy Process.
  - − Inadequate access to recruitment/outreach data.
  - − Resistance to sharing recruitment information.
- Recruitment Process.
  - − Lack of training in Applicant Tracking software.
  - − Application may not always be necessary.
  - − Limited utility of single online application.
- Selection Process.
  - − Inconsistent processes.

(b) Compensation and Benefits Function

- Classification System Development Process.
  - − Inadequate feedback on requests.
  - − Inconsistent job coding.
  - − Lengthy development process.
  - − Inadequate feedback on requests.
  - − No access to data.
- Classification/Compensation Administration Process.
  - − Inadequate feedback on requests.
- Pay Implementation Development Process.
  - − Lack of information due to two systems.
  - − Inefficient data analysis due to two systems.
  - − Inaccurate cost estimates.
  - − Inadequate forecasting communications.
  - − Insufficient documentation of contract versions.
- Pay Implementation Process.
  - − Duplication of effort due to two systems.
  - − Complicated pay implementation.

- − Insufficient controls in MSA system.

- − Inconsistent use of system features.

- Pay Implementation Administration Process.

  - − Lack of audits.

  - − Inadequate flexibility.

  - − Lack of timely access to MSA data.

  - − Inadequate ad hoc reporting capability.

  - − Inconsistent terminology between systems.

  - − Inconsistent coding.

  - − Complicated employee transfers.

  - − Cumbersome data research.

- Benefits System Administration Process.

  - − Limited benefits audits.

  - − Lack of employee access to benefits information.

  - − Lack of department access to benefits information.

(c) Organization and Individual Productivity Function

- Employee Development Process.

  - − Lack of access to training equivalency information.

- Organizational Development and Related Consulting Services Process.

  - − Inadequate information on alternative services.

  - − Lack of internal resource pool.

(d) Labor Contract Management and Employee Relations Function

- Safety and Claims Administration Process.

  - − Position inconsistencies due to two systems.

  - − Inefficient employee tracking process.

- Labor Contract Negotiations Process.

- − Lack of historical contract repository.
- Labor Contract Administration Process.
  - − Contract and payroll are not always in sync.
- Grievance and Disciplinary Administration Process.
  - − Inadequate grievance tracking capability.
  - − Lack of historical contract repository.
- Performance Appraisal and Merit Pay Process.
  - − Inefficient data entry due to two systems.

(e) Human Resources Function

- Community Development.
  - − Lack of easy access to data.
- Communications.
  - − Inadequate access to data.
- Human Resources Information Management.
  - − Insufficient MSA user documentation.

(3) Cost of Operations

Implementation costs, operating costs, and quantifiable benefits for this opportunity have been included in the Payroll Business Area section of this chapter.

(4) Benefits

(a) Tangible Benefits

The tangible benefits of moving forward into a culture of easily accessible data on which to base decisions and future planning are significant:

- A recent survey by Towers Perrin indicated that of 100 employers (representing 3 million employees) who moved toward self-service, 70 percent indicated 'significant increase' in transaction accuracy.

- Data entry becomes the responsibility of the workers themselves, freeing up personnel for other projects and/or other responsibilities.

- Reduction in departmental ad hoc systems and associated costs. Eleven agencies reported expenditures for human resources systems outside the central MSA/PeopleSoft costs. This does not include savings for spreadsheets or Access databases that may not have been specifically identified as human resources systems in the survey.

- Elimination of duplicate entry into more than one human resources/payroll system.

- Reduced need for re-work due to 'dirty' data from numerous sources.

- Greater ability to be in compliance with union contracts, state and federal laws, as well as county codes and ordinances.

- Greater accessibility to information (measured by reduction in days to get reports, synthesize data, etc.).

- More timely access to information (measured by reduction in days to get reports, synthesize data, etc.).

(b) Intangible Benefits

The intangible benefits of moving forward into a culture of easily accessible data on which to base decisions and future planning are great:

- Increased buy-in from employees.

- Increased morale.

- Increased confidence in making decisions.

(5) Constraints

- Moving to one, online system will require significant resources in terms of time, money, and staff at the inception of the change, but over time, significant savings will be realized from reduced rework, better decision-making processes, and increased consistency.

- As personal information is going to be made available online, serious attention must be paid to issues of security and privacy. Firewalls, password protected gateways, and limited access to private information must be implemented.

- Employees and departments may not be receptive to being asked to take responsibility for maintaining their information.

- Allowing employees access to update data requires implementing system edits that assure clean and accurate data.

(6) Performance Measures

Performance measures for this opportunity have been included in the Payroll Business Area section of this chapter.

(7) Role of Technology

Full implementation of this opportunity requires a single human resources/payroll system for all county personnel. The opportunity also requires specific system features such as a web-enabled employee self service.

e. Opportunity 5: Implement Quality Management

Currently, King County does not have a formal quality assurance program. Numerous challenges arise in the absence of a quality assurance program including a lack of communication as to needs and expectations; a mentality that "since we've heard nothing all must be o.k."; a lack of accountability to process evaluation; and a failure to continually improve policies, processes, and procedures based upon feedback. A quality assurance strategy should include the following tools:

- **Customer surveys.**

- **360 Degree Feedback (a current best practice).** These evaluations include all parties who are part of processes or transactions. The key is to include both customers and suppliers in the evaluation process as well as in the process for developing solutions intended to maximize service and efficiency.

- **Process evaluation and improvement teams.** Best practices in these teams also include the customer and supplier. Some methodologies that would be useful to consider for process evaluation are Sigma 6, Total Quality Management, etc.

- **Formal feedback process.** Establish a process of providing feedback (method of accountability) to stakeholders as to process changes and improvements.

- **Reward success.** Along with the system of feedback, a system of rewarding 'successes' must be implemented. Recognition programs provide significant cost benefit to the organization by rewarding work that exceeds expectations, setting the expectation that exceptional work is recognized within the organization, and setting the stage for the development of attitudes that focus on continuous improvement.

King County must adopt an attitude and a mindset of continually assessing and, as necessary, improving current processes. There are both technological and non-technological opportunities for process improvement.

The lack of a single technological support system at King County requires that many processes be managed manually. This significantly undermines the ability to operate in a quality assurance focused environment.

Technologically speaking, as the opportunity arises, technological solutions and support infrastructures need to be put into place that will further streamline and support the business processes of the human resources function. Best practices indicate that the following components should be included:

- Post open positions online and have a closing date set automatically consistent with human resources policy.

- Implement ongoing audits to ensure data accuracy and validity.

- Develop an automated new employee 'checklist' that includes processing the following:

  - Orientation schedule.

  - ID badge.

  - Key card(s).

  - Security/computer system accessibility, i.e., passwords and user IDs.

Non-technological processes also present opportunities for improvement and simplification. Best practices indicate that the following components should be included:

- Keep recurring job classifications that are needed for multiple positions across the county continuously open.

- Reduce the number of job classifications.

- Develop an applicant pool for positions that need filling on a recurring or frequent basis.

- Make step and retro pay consistent and accurate.

- Manage the employee benefits process to ensure that the county pays only the benefits that are required.

- Manage the employee exit process to ensure timely compliance with contractual agreements, federal and state law, and county policy.

The opportunities presented would be enhanced by the use of quality assurance strategies.

(1) Organizational Impacts

(a) Centralized vs. Decentralized

- Implementing quality assurance strategies will utilize both centralized and decentralized resources. Critical to a successful quality assurance program is the involvement of both employees and management.

- Training on how to use and manage quality assurance strategies should be centralized in order to maintain consistency in the application of tools and methodologies.

- Quality assurance strategies should have a more centralized process for administration, as the process evaluations and resultant improvements made may have applicability across departments.

(b) Roles, Responsibilities, and Authority

- Semi-formal processes need to be implemented to document current processes (where not already done), detail the discussions relative to process improvement, and clearly delineate changes to be made.

- The quality assurance team should own the process. Their names and titles need to be associated with the changes to support buy-in to the process during the analysis as well as support for the outcome.

- The membership of any team that is evaluating a specific process needs to be consistent. Doing so allows for continuity as well as the development of relationships based upon familiarity, respect, understanding, and commitment to improvement. Cooperation is key to successful outcomes.

- To the degree possible, as many employees as possible need to be included on process teams. The single most important key to the success of quality assurance strategies is buy-in. Buy-in is obtained by involvement.

- Teams need to have sponsors. A sponsor should be an individual with a high level of authority in the organization. This person does

not attend team meetings, but should be consulted at times of challenge or when additional input or resources are necessary for the analysis to continue.

- The ability and authority to make decisions relative to processes is critical. Stakeholder representation within the quality assurance teams needs to be empowered to make necessary decisions without the frequent need to consult outside authorities. Senior management must be willing to let go of some control over who has the authority to make decisions. As long as results are improved and there are no breaches of overriding policies, laws, codes, or mandates, the 'power of change' needs to rest with the group that has undertaken the process analysis.

- If a quality assurance process analysis becomes bogged down, or if issues arise that cannot be resolved by the team members, the sponsor is consulted, advised of the issues, and asked to assist in the resolution.

- Should outside assistance be necessary, it should be sought in a timely manner.

- Quality assurance teams need to be responsible for the accurate, complete and timely communication of process, policy and/or procedural changes. The HRD's communication subfunction is a good source to determine the best methodology to communicate larger scale changes.

- Feedback from users of the new process needs to be reviewed by the quality assurance team to determine the newly implemented process.

- Departments need to complete regularly scheduled reporting, to be broken down as mutually agreed upon, to the HRD.

(c) Organizational Structure

Work teams need to be established to address specific procedures or processes. These teams may be cross-departmental and be of limited or long-term duration.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This section addresses a majority of the process efficiencies, process gaps and process inefficiencies identified in the Assessment Chapter, including:

(a) Human Resources Planning, Selection, and Placement Function

- Workforce Management and Succession Process.

  − Varying strategies due to management turnover.

  − Inflexible process.

- Job Review Process.

  − Multiple job codes for same classification.

  − Position inequities in same classification.

  − Inconsistencies due to errors.

  − Lengthy complaint process.

- Recruitment and Selection Strategy Process.

  − Inconsistent job advertisements.

- Recruitment Process.

  − Multiple extensions sometimes necessary.

  − Multiple postings sometimes necessary.

- Selection Process.

  − Inadequate training.

  − Inconsistent processes.

(b) Compensation and Benefits Function

- Classification System Development Process.

  − Excessive classifications.

  − Inadequate feedback on requests.

  − Salary tends to be classification basis.

  − Inconsistent job coding.

  − Lengthy development process.

  − Inadequate feedback on requests.

  − Limited compensation parameters.

- Classification/Compensation Administration Process.

  − Inadequate feedback on requests.

- − Unfairly influenced classifications.

- − Inconsistent HRD feedback structure.

- − Lengthy appeal process.

- − Lack of process for union/non-union employee moves.

- Pay Implementation Development Process.
  - − Inefficient data analysis due to two systems.

  - − Lack of fund manager involvement.

  - − Lack of OMB involvement.

  - − Lack of clear coding definitions.

  - − Inadequate pay communication.

- Pay Implementation Process.
  - − Complicated pay implementation.

  - − Lack of resolution documentation.

- Pay Implementation Administration Process.
  - − Lack of audits.

  - − Inadequate flexibility.

  - − Inconsistent coding.

  - − Complicated employee transfers.

  - − Cumbersome data research.

- Benefits System Development Process.
  - − Insufficient cost and policy impact information.

- Benefits System Implementation Process.
  - − Lack of defined transition to Benefits Administration.

- Benefits System Administration Process.
  - − Limited benefits audits.

  - − Insufficient timeliness in posting terminations.

(c) Organization and Individual Productivity Function

- Employee Development Process.

    − Lack of standard schedule.

    − Inefficient procurement.

    − Inefficient access to training.

    − Lack of effectiveness measures.

    − Inadequate basis for training approvals.

    − Slow substitution approval process.

- Organizational Development and Related Consulting Services Process.

    − Lack of shared procurement strategies.

(d) Labor Contract Management and Employee Relations Function

- Safety and Claims Administration Process.

    − Inefficient employee tracking process.

- Disability Accommodations and Employment Process.

    − Inefficient reassignment process.

    − Resistance to temporary duty policies.

- Labor Contract Negotiations Process.

    − Lack of contract consistency.

- Labor Contract Administration Process.

    − Lengthy feedback process.

- Grievance and Disciplinary Administration Process.

    − Inadequate understanding of appropriate disciplinary actions.

- Performance Appraisal and Merit Pay Process.

    − Lack of appraisals for unionized employees.

    − Incorrect merit pay focus.

(e) Human Resources Function

- Community Development.

  − Untimely training completion.

- Communications.

  − Lack of resources inhibits improvement.

- Quality Assurance.

  − Lack of quality assurance.

(3) Cost of Operations

Implementation costs, operating costs, and quantifiable benefits are summarized in Exhibit III-31.

Exhibit III-31: Implement Quality Management - 10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$ 360,000
Incremental Operating Costs*	2,569,663
Total Cost of Ownership	**2,929,663**
Quantifiable Benefits	17,078,489
Net Benefit	**14,148,825**
Net Present Value	**$10,717,590**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

(a) Tangible Benefits

Currently, King County incurs $27,156,360 in personnel costs annually to provide human resources services. The full implementation of the quality assurance process included in the Human Resources Unification Project will ensure that the project's objectives are in place and practiced. It is estimated that this process will provide a benefit to the county equal to 5 percent of human resources' personnel expenditures or nearly $1.4 million annually, or $17,078,489 over 10 years.

(b) Intangible Benefits

The intangible benefits of moving forward into a culture of quality assurance are many, including the following:

- Increased commitment to efficiency.

- Increasing meeting and/or exceeding identified process, procedure, or policy expectations.

- Increased morale due to high performers being rewarded.

- Greater alignment between processes, procedures, policies, and the core organizational values and goals.

(4) Constraints

- Currently the largest single constraint present at King County is a lack of available resources in terms of people, time, and money. Developing an atmosphere of evaluation and continuous improvement takes consistent and thoughtful attention toward short-term action at a higher price, with an understanding it will set the stage for long-term improvement. Such attention and consistency, especially in an atmosphere of budget constraints, can be challenging.

- Commitment to developing a culture that encourages participation without fear of retribution and that has the expectation of complete honesty in terms of feedback about processes is required to obtain buy-in from all participants.

- The county does not currently have a culture that is conducive to self-evaluation, nor are they used to including customers and/or suppliers into the analysis of their services. This will require a significant culture change to one of openness to criticism and, as the process initially unfolds, conflict.

- Changes in processes, procedures, and/or policies may affect union contracts. At the time awareness surfaces that a 'union' issue potentially exists, the county must determine the affected contracts and begin working with union representative to address any issues. This could include the active participation of union representation in the QA process.

(5) Performance Measures

Exhibit III-32 lists the measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-32: Implement Quality Management - Performance Measures

Category	Recommended Measures
General Statistics	**Human Resources Headcount Ratio**. Determines if Human Resources is understaffed or overstaffed by determining average number of employees supported by each Human Resources employee (total number of employees / total number of human resources employees).
	Human Resources Exempt Percent. A low number indicates human resources are too focused on paperwork and processing rather than addressing strategic issues (total number of human resources exempt staff / total number of human resources employees).
	Human Resources Investment Factor. An indicator of the county's level of investment in human resources management (total salaries and benefits of human resources employees / total number of FTEs).
	Customer Service Satisfaction Percent. Provides an indication of the extent to which the county's human resources function is operating successfully (total survey respondents rating service satisfactory or above / total survey respondents).
Training	**Training Development Costs**. An indicator of the efficiency of a new training class development process ((Number of developers × the developer's average hourly salary + vendor's fixed costs) / number of class hours).
	Training Delivery Costs. An indicator of the efficiency of delivering training (Trainer salary per hour × number of trainers) × (trainer travel time + class duration).
	Training Cost Factor. Another indicator of training delivery efficiency (total training cost, i.e., total internal and external employer paid training expense, / total number of full-time and part-time employees trained).
	Training Staff Ratio. A low ratio may indicate that training is overstaffed. A high ratio may indicate understaffing and inability to implement strategic programs or that a preponderance of outside trainers are being used (total full-time and part-time employees / total full-time and part-time training staff employees).

Category	Recommended Measures
Employee Relations	**Employee Grievance Ratio**. An indicator of a possible lack in fairness and integrity of organizational processes or practices (number of formal, written grievances filed / average number of employees).
	Grievance Resolution Ratio. Indicates the effectiveness of the internal grievance process (number of grievances resolved / average number of employees).
	Lawsuit Cost per Employee. An indicator of management effectiveness (total cost of lawsuits (payments to plaintiffs, defense costs, travel, court costs) / average number of employees).
	Risk Management Ratio. An indicator of management effectiveness (total cost of lawsuits (payments to plaintiffs, defense costs, travel, court costs) / total payroll).
	Performance Appraisal Completion Ratio. Shows the effectiveness of tracking and enforcing the performance appraisal system throughout the county (number of performance appraisals completed by the due date / number of performance appraisals due).
	Turnover Rate. High turnover rates could be an indication of ineffective recruitment and retention strategies and/or management or supervision problems (voluntary departures + involuntary departures) / average number of employees).
	Accession Rate. Accession rate along with turnover rate are the basis for good descriptive measures of turnover (number of employees hired / average number of employees).
	Workforce Stability. Provides essential measures to understanding the stability of the workforce (Workforce stability factor: original employees who remain for the period / employee population at beginning of period. Workforce instability factor: original employees who remain for the period / employee population at beginning of period).
Compensation and Benefits	**Classification Request Response Time**. An indicator of the efficiency of the job classification process (Date of receipt of the classification request – the date the classification decision).
	Job Description Factor. If this factor is too low, it suggests that many employees do not have clearly defined duties and responsibilities (number of functional job descriptions / total number of job classifications).
	Supervisory Compensation Percent. If the percentage is high, it indicates a top heavy management structure (total compensation package for supervisory employees / total employee compensation).
	Cost per Compensation Action. Helps determine the cost of managing the compensation function in the county (staff time salaries and benefits spent on compensation actions +

Category	Recommended Measures
	overhead costs + management review time) / total compensation actions
	Promotion and Merit Increase Ratio. An indicator of the effectiveness of the recognition of employee's contributions to the county's vision and goals, as well as management's efforts to develop employees' knowledge, skills and abilities (number of promotions and merit increases).
	Benefits as a Percent of Salaries. Can be used to determine if the county's benefits cost is consistent with other government agencies ((total county benefits cost consisting of paid leave including vacation and holidays, + health and insurance programs including sick leave, Workers' Compensation and life, accident and health insurance, + retirement programs including social security and Medicare taxes, private pension and retirement plans, + unemployment programs) / total compensation costs).
Recruitment and Selection	**Applicant Processing Response Time**. An indicator of the efficiency of the job posting process (Date of receipt of the job posting – the date the first qualified applicant was referred for an interview).
	Job Posting Response Rate. Provides an indication of the effectiveness of the county's posting system and can be an indicator of organizational problems especially if internal applications drop (number of applications received / number of jobs posted).
	Ratio of Jobs Posted To Those Responded To. Provides an indication of the effectiveness of the county's posting system (number of posted jobs responded to / number of posted jobs).
	New Hire Time to Start. Another indicator of the duration of job vacancies of positions (the number of days between the date the job was first posted and the date a new hire reports to work / number of new hires).
	Qualified Applicant Ratio. Measures the effectiveness of the recruiting process (total number of applicants who meet minimum qualifications specified for positions / total number of applicants).
	Cost per Hire. An indicator of how well the county's recruiters are performing and how the county might reduce costs. External cost per hire: ((advertising costs + organization/external recruiter costs + travel costs + relocation costs + referral bonuses + internal recruiter costs) × 1.1 to account for other expenses). Internal cost per hire: (advertising costs + travel costs + relocation costs + internal recruiter costs) × 1.1 to account for other expenses)).
	External Hire Offer Acceptance Rate. Another measure of recruiting efficiency (total number of external offers accepted / number of external offers extended).

(6)   Role of Technology

The role of technology in supporting the quality assurance business process is relatively insignificant assuming that the single human resources/payroll system objective is achieved by the county.

3.   Payroll Business Area

The existing payroll documentation, work sessions with the payroll functional lead, and focus group sessions with centralized and decentralized payroll subject matter experts identified several improvement opportunities within the county's policies, practices, and procedures related to the payroll business function. The identified opportunities were combined with opportunities resulting from consultant intellectual capital and accepted best practices. The resulting opportunities were reviewed and evaluated to determine those with the potential to provide high payback to the county, as well as meet the county's goals for the Payroll Business Area. The county's Payroll Business Area goals consist of the following:

- Comply with labor agreements, as well as federal, state, and county laws.

- Provide employees, retirees, and fiduciaries direct and secure access, as appropriate, to personnel, payroll, time and attendance, benefit, and retirement information.

- Reduce time required to capture time and process payroll, and shorten the lag between end of pay period and payday.

- Provide employees the information needed to validate that their pay stubs are accurate.

- Produce timely and accurate paychecks.

- Improve access to historical information.

- Pay all employees on a common, biweekly, pay cycle from a single payroll system by migrating all employees to the PeopleSoft system.

- Support labor distribution with a system that is compatible with PeopleSoft and the financial system that is implemented.

The review of the county's current payroll process documentation, work sessions with the Payroll functional lead and designees, focus group session feedback, and comparison to best practices resulted in numerous opportunities for Payroll Business Area process improvement. However, analysis of the data gathered indicates the vast majority of improvement opportunities identified focus on the complex processes surrounding and/or caused by operating two human resources/payroll systems, one of which is based on 30-year old technology.

The county has recognized the complexities of the Payroll Business Area and its inherent inefficiencies. Their work to date is reflected in the Human Resources Unification Project, the Payroll Improvement Project, and the planned implementation of new PeopleSoft HRMS features, all of which contain components focused on improving and standardizing payroll and payroll-related processes across the county.

One goal of the evaluation phase of this study is to identify Payroll Business Area process improvement opportunities that have the potential for high payback to the county. The detailed opportunities accumulated during the assessment phase of the project were reviewed and categorized into the following categories:

- Improve, integrate, and standardize processes by leveraging packaged software best practices. These opportunities focus on consolidation of the human resources/payroll systems and the business processes supporting them, and implementing self-services capabilities and other PeopleSoft functionality that would improve process turnaround.

- Align data-related management and reporting processes with best practices. The intent of these opportunities is to improve the current processes associated with data gathering and entry, data access and updating, reporting, and data storage and archiving.

- Standardize and refine business policies through application of best practices. These opportunities provide process improvement through new policy development and the refinement of current policies.

Further review of the detail opportunities revealed 94 percent were directly related to MSA-related process improvement with the remaining 6 percent not of sufficient significance to comprise a high payback opportunity on their own. Consequently, one high payback opportunity was determined for the Budget Business Area:

"Automate, integrate, and standardize processes."

This high payback opportunity is described in detail below.

a. Opportunity 1 – Automate, Integrate, and Consolidate Business Processes

This opportunity is high payback for the county, but is a complex undertaking. It suggests migrating to a single, modern, fully-featured, commercial human resources/payroll system and leveraging its inherent best practices to accelerate achieving the efficiencies of a single, comprehensive, shared set of payroll business processes.

One of the most significant challenges facing the Payroll Business Area is the amount of time spent on transaction processing activities rather than supporting the county's strategic objectives. King County's Payroll Business Area is burdened by supporting two human resources/payroll systems with different

process models. The MSA system relies heavily on slow, manual transaction processing activities. Access to system information is difficult and cumbersome, and has led to the development of numerous ad hoc systems to support departmental needs. Reports from the MSA system are only generated in hard copy and must be physically picked up at distribution locations.

This opportunity represents a consolidation of most of the opportunities identified during stakeholder focus group sessions, as well as best practice opportunities and opportunities based on consultant intellectual capital. Full realization of this opportunity's process improvement benefits is contingent upon successfully achieving the following implementation actions:

- Consolidation of current human resources/payroll systems to a single human resources/payroll system.

- Consolidation of pay cycles to a single pay cycle for all county employees.

- Implementation of the latest version of PeopleSoft HRMS.

- Completion of the MSA data research and clean-up activities within the scope of the Payroll Initiatives Project.

- Implementation of additional PeopleSoft HRMS features countywide, e.g., Intra/Internet based self-service capabilities.

- Development of a seamless integration approach with other county applications, e.g., financials and labor distribution.

- Migration of all county employees to the PeopleSoft HRMS system.

(1)   Process Documentation

Exhibit III-33 provides an overview of the current Payroll Business Area environment. It depicts how the processes work in general. Current county payroll processes are so varied that it is not possible to include all in a single exhibit.

Exhibit III-33: Current Payroll Business Area Process Flow
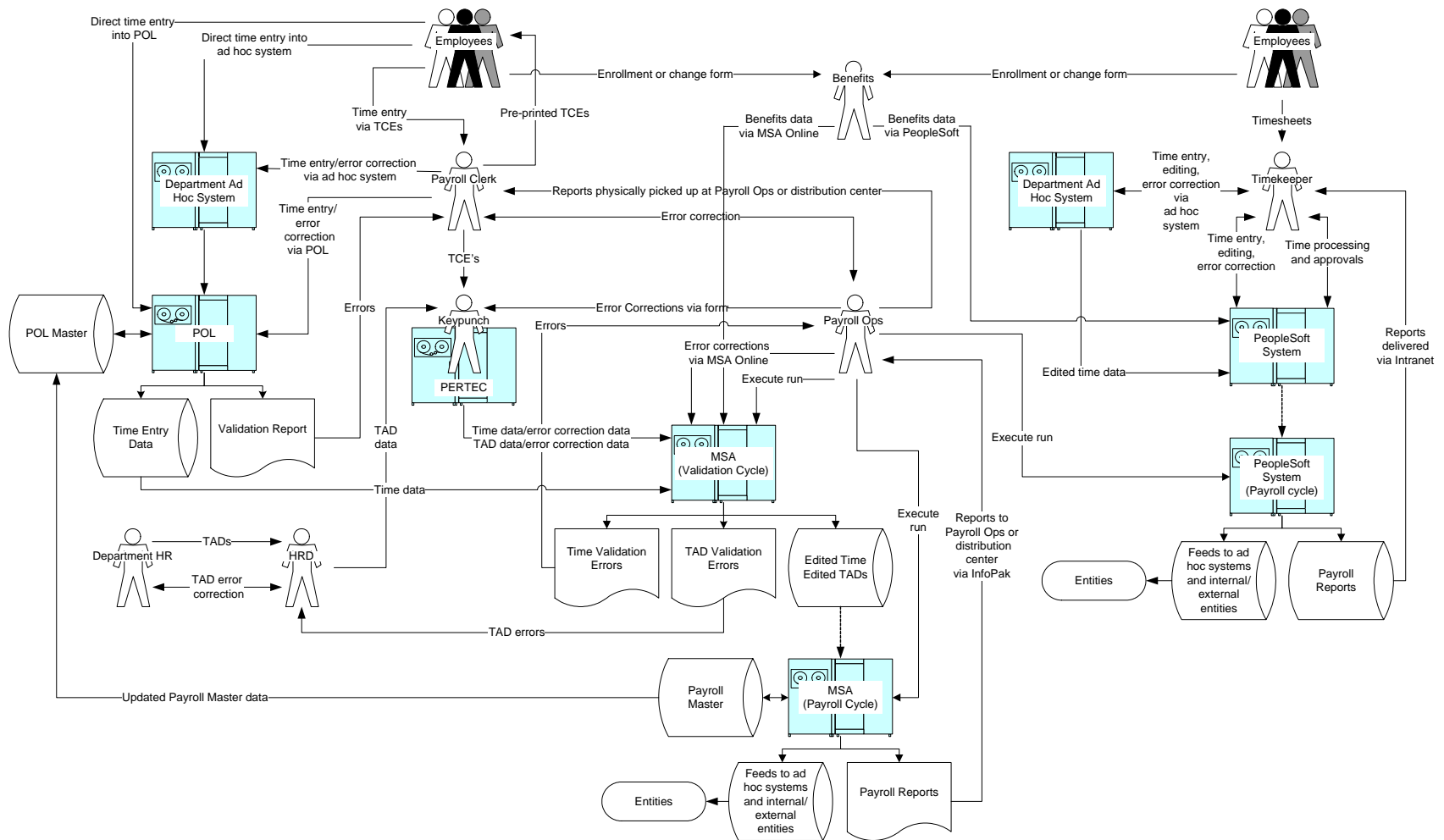
The current Payroll Business Area process flow is complex. The number of finite processes is large and lacks standardization across the county in a number of areas. The opportunity for error and delay is significant.

The payroll business functions have different process flows to support the MSA and PeopleSoft human resources/payroll systems. Fortunately, most departments are supported by a single human resources/payroll system; however, "straddle" departments must conduct the entire workflow illustrated in the exhibit to provide support to their employees.

Many processes required by the MSA system are performed manually, are cumbersome, lack timeliness, and must be supplemented by department ad hoc systems in order to fully meet department needs. The PeopleSoft HRMS system is not fully-featured. It lacks self-service capabilities and other available features that could eliminate processes or enhance existing process turnaround time.

The county has recognized the complexities of the Payroll Business Area and its inherent inefficiencies. Their previous studies have resulted in the Human Resources Unification Project, the Payroll Improvement Project, the acquisition/implementation of new PeopleSoft HRMS features, and other planned initiatives all of which contain components focused on improving and standardizing payroll and payroll-related processes across the county.

Implementation of this opportunity will allow the county to consolidate its Payroll Business Area processes into a single, standardized process set related to operating a single human resources/payroll system supporting a single payroll cycle. In addition, this opportunity will allow the county to provide additional customer services with current resources by taking advantage of PeopleSoft HRMS capabilities not yet installed or not yet acquired.

Exhibit III-34 provides an overview of the potential Payroll Business Area environment after implementation of this opportunity.

Exhibit III-34: Modified Payroll Business Area Process Flow
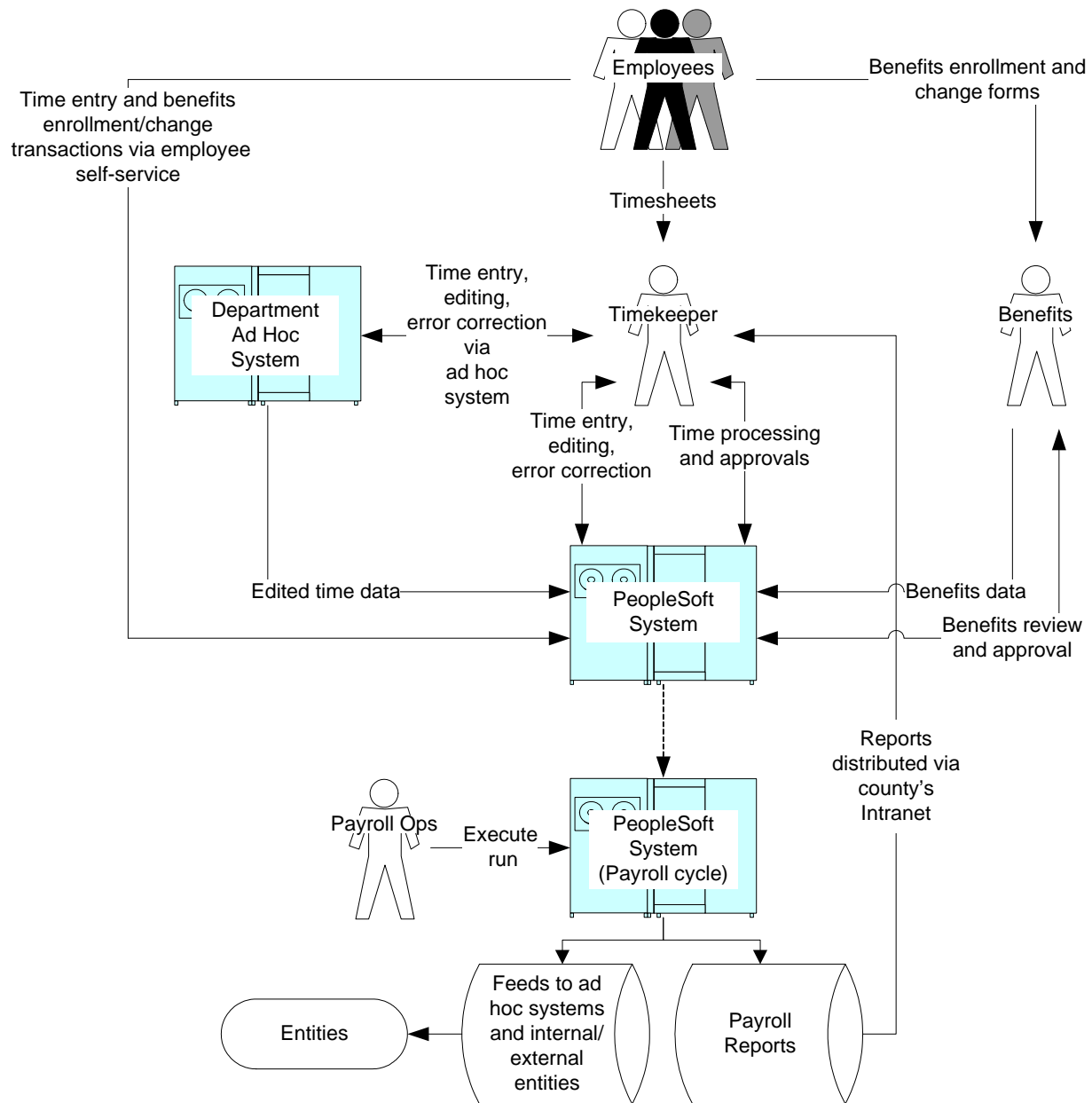
The process flow illustrated in Exhibit III-35 shows substantial refinement over the current process flow illustrated in Exhibit III-34. This is achieved through the migration of all county employees to a single human resources/payroll system – PeopleSoft HRMS – and the introduction of employee online time and labor entry features and other self-service capabilities.

The introduction of additional PeopleSoft HRMS features and products that may be required to meet the county's needs will add additional process refinement not illustrated in the process flows. It is understood that the county is the process of implementing certain additional PeopleSoft HRMS features they previously acquired. A list of the Human Capital Management product modules available from PeopleSoft is included in Exhibit III-35.

Exhibit III-35: PeopleSoft HRMS Product Modules

Benefits Administration	Directory Interface
eBenefits	eCompensation
eCompensation Manager Desktop	eDevelopment
eEquity	Enterprise Warehouse
ePay	ePerformance
EPM Portal Pack	eProfile
eProfile Manager Desktop	eRecruit
eRecruit Manager Desktop	Flexible Spending Account Administration
Global Payroll	HCM Payroll Process Integration Pack
Help Desk for Human Resources	HRMS Portal Pack
HRMS Warehouse	Human Resources
Learning Management	Mobile Time Management
Payroll for North America	Payroll Interface
Payroll Interface for ADP Connection	Pension Administration
Resume Processing	Sales Incentive Management
Services Procurement	Stock Administration
Time and Labor	Workforce Planning
Workforce Rewards	Workforce Scorecard

(2) Organizational Impacts

This opportunity will result in a number of changes within the Payroll Business Area, in particular for departments supported in whole or in part by the MSA system since these departments will be moving from a forms-based, batch processing environment to an online, real time environment. The introduction of employee self-service and other e-apps as necessary to support the county's goals will impact all departments.

(a) Centralized vs. Decentralized Processing Methods

The fundamental centralized/decentralized components of the overall human resources/payroll processes will remain in place after implementation of this opportunity, with one significant difference. The current centralized data entry and error correction processes associated with processing, keypunching, and validating paper form transactions will, for the most part, be decentralized to the departments, and to the employee in some cases.

Centralized keypunching of human resources and payroll transactions will be replaced by data entry and maintenance accomplished directly by the departments via the online capabilities of the PeopleSoft HRMS system. Certain processes will also be accomplished directly by the employees based on the capabilities of employee self-service.

(b) Roles, Responsibilities, and Authority

- The primary responsibility for entry and maintenance of the county's human resources/payroll data will move from Payroll Ops to the departments.

- There will be a workload shift from department human resources/payroll personnel to employees for those data entry and maintenance abilities available to the employee through employee self-service.

- There will be a workload shift from department human resources/payroll personnel to department management for execution and delivery on those information requests that can be accommodated through manager self-service.

(c) Organizational Structure

- Consolidation of two human resources/payroll system support groups supplying system maintenance and customer support services to departments. One supports the MSA system; the other

supports the PeopleSoft HRMS system. The consolidation would be based on the Competency Center concept adopted by PSSD which is considered a best practice for Enterprise Resource Planning installations. The Center consists of functional analysts, application analysts, and application architects fully dedicated to application support and do not have responsibilities that extend to human resources/payroll operations activities.

- ITS Data Entry will no longer key the data entry and update transactions currently required by the MSA system processes. These transactions will be entered and maintained directly by the departments and/or via employee/manager self-service capabilities.

- Payroll Ops will no longer be responsible for error correction activities associated with most routine human resources/payroll transaction processing. Error correction activities will be substantially reduced due to editing capabilities inherent in online transaction processing.

- The ITS technical infrastructure will no longer be responsible for supporting the execution of the MSA system.

(3) Process Efficiencies, Process Gaps, and Process Inefficiencies

This opportunity addresses the majority of the process gaps and process inefficiencies (primarily associated with the MSA system) identified in the Assessment Chapter while retaining existing process efficiencies (primarily associated with the PeopleSoft HRMS system). Process gaps and inefficiencies mitigated by this opportunity are presented below by human resources/payroll system.

(a) MSA – Collection of Time Process

- Inconsistent payroll processes.

- Inefficient data maintenance tools.

- Inadequate access to data.

- Inefficient data maintenance.

- Inefficiencies due to pay cycle.

- Inadequate data maintenance tools.

- Inefficient transaction transfer.

- Inefficient data maintenance.

- Inadequate data maintenance tools.

- Lack of resources to support contract implementation.

(b) MSA – Entry of Time Process

- Inconsistent time entry processes.

(c) MSA – Processing of Time Process

- Antiquated user documentation.

- Inefficient report distribution.

- Ineffective report preparation.

- Insufficient access to data.

- Lack of system flexibility.

- Possible liability risk.

- Lack of access to information.

- Inefficient report distribution.

- Ineffective report preparation.

(d) MSA – Entry of Employee Taxes Process

- See MSA – Entry of Employee Information.

(e) MSA – Entry of Employee Deductions and Other Earnings Process

- See MSA – Entry of Employee Information.

(f) MSA – One-Time Transactions Process

- See MSA – Entry of Employee Information.

- Inefficient one-time transactions.

(g) MSA – Payroll Reconciliation and Tax Balancing Process

- Lack of reconciliation/balancing process.

(h) MSA – W-2 Processing Reconciliation and Printing Process

- Limited W-2 reconciliation process.

(i) MSA – Payroll Processing Process

- Lack of resources.
- Inefficient transaction processing.
- Inefficient transaction editing.
- Inefficiencies due to current policies.
- Lack of utilization of available resources.

(j) MSA – Cycle Reporting Process

- Inadequate access to data.
- Inefficient report distribution.
- Insufficient data storage capacity.
- Antiquated archiving medium.

(k) MSA – Periodic Reporting Process

- See MSA Cycle Reporting.

(4) Cost of Operations

Exhibit III-36 displays the county's 2003 operating costs for the Payroll Business Area and the impact of the implementation of this opportunity.

Exhibit III-36: Automate, Integrate, and Standardize Processes 10-Year Cost Summary

Costs	
Implementation Costs	$12,523,902
Incremental Operating Costs*	8,905,047
Total Cost of Ownership	**21,428,949**
Quantifiable Benefits	40,152,287
Net Benefit	**17,102,295**
Net Present Value	**$10,152,152**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

(5) Benefits

This opportunity has a high potential for achieving significant benefits for the county. It should be noted, however, that benefits will be realized over multiple years, with incremental process improvements expected annually. It would be unrealistic to expect immediate tangible impact. In fact, many organizations report a near-term decline in productivity following a major system shift while employees are adjusting to new processes and applications.

(a) Tangible Benefits

- **Reduced cost to produce a payment.** In 2003, the county spent nearly $10.4 million to produce payroll payments. This is the aggregate cost for the timekeeping business function and the payroll processing and reporting business function, as well as for the payroll-associated ad hoc systems within the departments. In 2003, the county produced nearly 440,000 payments for a cost per payment of $23.55.

  A benchmarking study conducted in 2000 by Arthur Andersen for a public sector organization found total payroll cost per paycheck to vary in their benchmark group from a low of $0.24 to a high of $28.28, with a median of $5.52. Adjusting the county's cost per payment to match the basis on which the Andersen cost per paycheck was calculated, results in a comparable county cost per paycheck of $21.58.

  The same Andersen study found total payroll cost per employee to vary from a low of $26.44 to a high of $771.06, with a median of $157.04. Based on a county employee count of 15,783 and the same adjustment as above, the county's total payroll cost per employee is $601.72.

  Substantial progress can be made in reducing the county's cost per payment through cost reductions achieved by implementing this opportunity. We estimate the reduction to be at least 30 percent of current annual Payroll Business Area costs or approximately $3 million annually.

  - **Reduced operating costs.** The technical costs for MSA and PeopleSoft were nearly $2.4 million in 2003, for a cost per payment of $5.43. The Andersen study found these costs to

vary for their benchmark group from a low of $0.0 to a high of $4.57, with a median cost of $0.47.

− **The operating costs allocated to MSA in 2003, are approximately $1.2 million.** Consolidating operating costs by moving to a single human resources/payroll system would reduce these costs substantially.

− **Reduced timekeeping and time processing costs.** In 2003, the aggregate cost for the county's timekeeping function was approximately $4.5 million.

Approximately 60 percent of the county's employees are paid through the MSA system accounting for $2.7 million of the total timekeeping cost. This may appear to be a broad assumption, but because of the complexity and time consuming nature of the MSA timekeeping processes, the assumption likely understates the actual costs.

It is estimated that eliminating the MSA forms-based processes and migrating responsibility for entering employee time and labor information and other transactions to the employee via self-service capabilities will reduce overall timekeeping functional costs significantly.

− **Reduced payroll processing costs.** The county supports two payroll cycles; biweekly and semimonthly. Implementing this opportunity will result in all employees being paid on a single payroll cycle and the eliminate costs of processes and processing associated with dual cycles. It is estimated the consolidation will reduce overall payroll processing costs.

− **Reduced supplemental decision support and reporting costs.** The county spends approximately $0.4 million dollars annually on supplemental decision support and reporting activities through development, maintenance and support of departmental ad hoc systems and processes related to accessing and accumulating payroll information. Considerable time is spent developing requests for data extracts, consolidating data from the two systems, entering data into ad hoc systems, maintaining crosswalks, and manually preparing reports.

It is estimated that migrating all the county's payroll data to a single system with a single set of data definitions and data query capabilities and providing managers with self-service access to payroll data will reduce these costs.

      − **Reduced customer service costs.** In the State of Washington benchmarking study, 10 percent of total payroll costs were attributed to providing customer service. Applying that metric to the county's payroll processing costs results in an estimated cost of approximately $1 million.

      It is estimated that migrating the county's employees to a single payroll system and providing employees with payroll information self-service access and update capabilities will reduce these costs.

(b) Intangible Benefits

- Timely, accurate paychecks.

- Current payroll manual.

- Avoidance of costly disputes.

- Decreased risk from technical support personnel turnover.

- Improved customer satisfaction.

- Improved payroll professional job satisfaction.

- Release from the constraints of 30 year old technology.

- Ability to quickly apply changes through reconfiguration.

- Reduced risk of system failure resulting from modifications.

- Better data availability to support collective bargaining.

- Quick implementation of collective bargaining agreements.

(6) Constraints

The major constraints on successfully implementing this opportunity are listed below:

- Changes in job functions may affect union contracts even though recent contracts have included a provision that anticipated an eventual migration from MSA to PeopleSoft.

- The proposed move from a semimonthly pay cycle to a biweekly pay cycle encountered significant resistance during the Financial Systems Replacement Project and is likely to do so again.

- Any approach to address and fund the lag introduced when employees are migrated to a biweekly pay cycle is likely to encounter resistance from stakeholders.

- The county may encounter resistance from "elected" departments. These departments have established policies and procedures that differ from the Executive departments that they feel work well for them.

- The pain remaining from the failed Financial Systems Replacement Project implementation is a constraint to any major technology project, especially one that mirrors the goals the county was unable to achieve in the past.

- The county may not have the ability to undertake such a major technology project or be willing to impose the business change management necessary to do so successfully.

(7) Performance Measures

Exhibit III-37 lists the recommended performance measures related to this opportunity that are recommended to be tracked to determine opportunity implementation success.

Exhibit III-37: Recommended Performance Measures

Category	Recommended Measures
General Statistics	**Payroll personnel per thousand employees.** (Total payroll FTEs × 1000) / total number of employees.
	Payroll personnel per 100 million in revenue. (Total payroll FTEs × 100 million) / total revenue.
	Number of system generated checks and advices.
	Number of manually generated checks and advices.
	Span of control. Total payroll staff FTEs / total payroll management FTEs.

Category	Recommended Measures
	Number of employees.
	Customer satisfaction. Measured by survey scores.
	Number of payroll related lawsuits.
	Number of related labor disputes.
	Number of related grievances.
	Number of audit deficiencies.
	Number of customer complaints.
Cost Statistics	**Total payroll cost as a percentage of revenue**. Total annual payroll cost / total revenue.
	Total payroll cost per paycheck. Total annual payroll cost / annual number of payroll checks.
	Payroll systems cost per paycheck. Annual payroll systems cost / annual number of payroll checks.
	Payroll labor cost per paycheck. Annual payroll labor cost / annual number of payroll checks.
Processing Statistics	**Average number of paychecks processed per FTE**. Annual number of paychecks / total number of payroll FTEs.
	Average time to resolve errors. Elapsed time.
	Time card and data preparation error rate. Number of time card and data preparation errors per year / annual number of time cards.
	Payroll processing error rate. Payroll processing errors per year / annual number of time cards.
	Employee database and payroll change error rate. Number of employee database and payroll change errors per month / number of employee database and payroll changes processed per month.
Employee Statistics	**Type of pay frequency by number of employees paid**. Number of employees by pay frequency (semi-monthly, bi-weekly) / total number of employees paid per year.
	Total annual payroll cost per employee. Total annual payroll costs / total number of employees.
	Direct deposit percentage. Number of employees on direct deposit / total number of employees.
System Statistics	**Percentage of manually processed checks**. Number of manual checks per year / annual number of payroll checks.
	Percentage of employees reporting time on an exception only basis. "None," "some," "all," by department.
	Percentage of time collection and reporting methods. "Manual," "partially automated," "fully automated," by department.

Category	Recommended Measures
Activities	**Responsibility for payroll activities**. Percent of payroll activities conducted centrally vs. at the department level, by payroll activity.
Cost Analysis	**Payroll processing cost analysis**. Cost of payroll cost categories (payroll direct and contract labor, data processing operating expense, payroll operating expense, annual licensing/maintenance costs, and data processing direct labor) / total cost.

(8) Role of Technology

Technology has a significant role in implementing this opportunity. All process improvements are predicated on the migration from an antiquated, forms-based, batch processing human resources/payroll system to a modern, robust, Web-based human resources/payroll system incorporating and supporting best business practices. The opportunity assumes the modern system will be fully-featured with such e-Apps as employee/manager self-service and others necessary to meet the needs of the county.

4. Budget Business Area

These analyses resulted in three high payback areas with the potential to significantly increase the effectiveness and efficiency of King County budget processes. The three high payback areas for the Budget Business Area are:

- Automate, integrate, and consolidate business processes.

- Increase analytical capability.

- Improve capital planning and monitoring.

a. Opportunity 1: Automation Processes

Automating, integrating, and consolidating the budgeting business processes would enhance the ability of OMB to conduct analysis as the basis for funding decisions. The current process involves significant department subsystems and spreadsheets. The spreadsheets from the departments are imported into the budget databases. These electronic versions are centrally loaded into Mbase. Revisions are made to Mbase at a high level. These must be separately keyed into Essbase at the detail level.

Best practices would provide a method to:

- Automate the entire budget process with a single system that supports planning, preparation, review, adoption, and allotment of the budget.

- Better create a status quo budget based on prior budget levels, revenue projections, and historical expenditures.

- Allow the departments to enter the budget requests at the level of detail desired, make adjustments using percentage increases or decreases, or use other mass data change techniques.

- Allow the departments, OMB, and the Council to perform "what if" scenarios to determine the impact of various assumptions.

- Track budget versions and changes throughout the decision process so they can be easily identified for analysis.

- Automatically apply global changes for benefit costs, cost of living increases, and labor contracts.

- Integrate the budget process with the financial and HR/Payroll systems for original budgets and positions, changes to budgets and positions, historical expenditures, staffing data, and activity-based costing.

- Support performance measurement by including measures in budget submittals, allowing basic statistical analysis, and presenting unit costs.

OMB business processes support many best practices. The OMB systems provide some flexible budgeting tools but lack integration with the financial, human resources, and payroll applications and with departmental processes.

Exhibit III-38: Current Budget Business Area Process below provides a simplified overview of the current environment. This flow does not show every process involved in developing the budget. For example, it does not detail the basic status quo processes. Its purpose is to illustrate the how people interact with the systems in performing the major processes and how the systems interact with one another.

Exhibit III-38: Current Budget Business Area Process

Budget Opportunity1 after.vsd
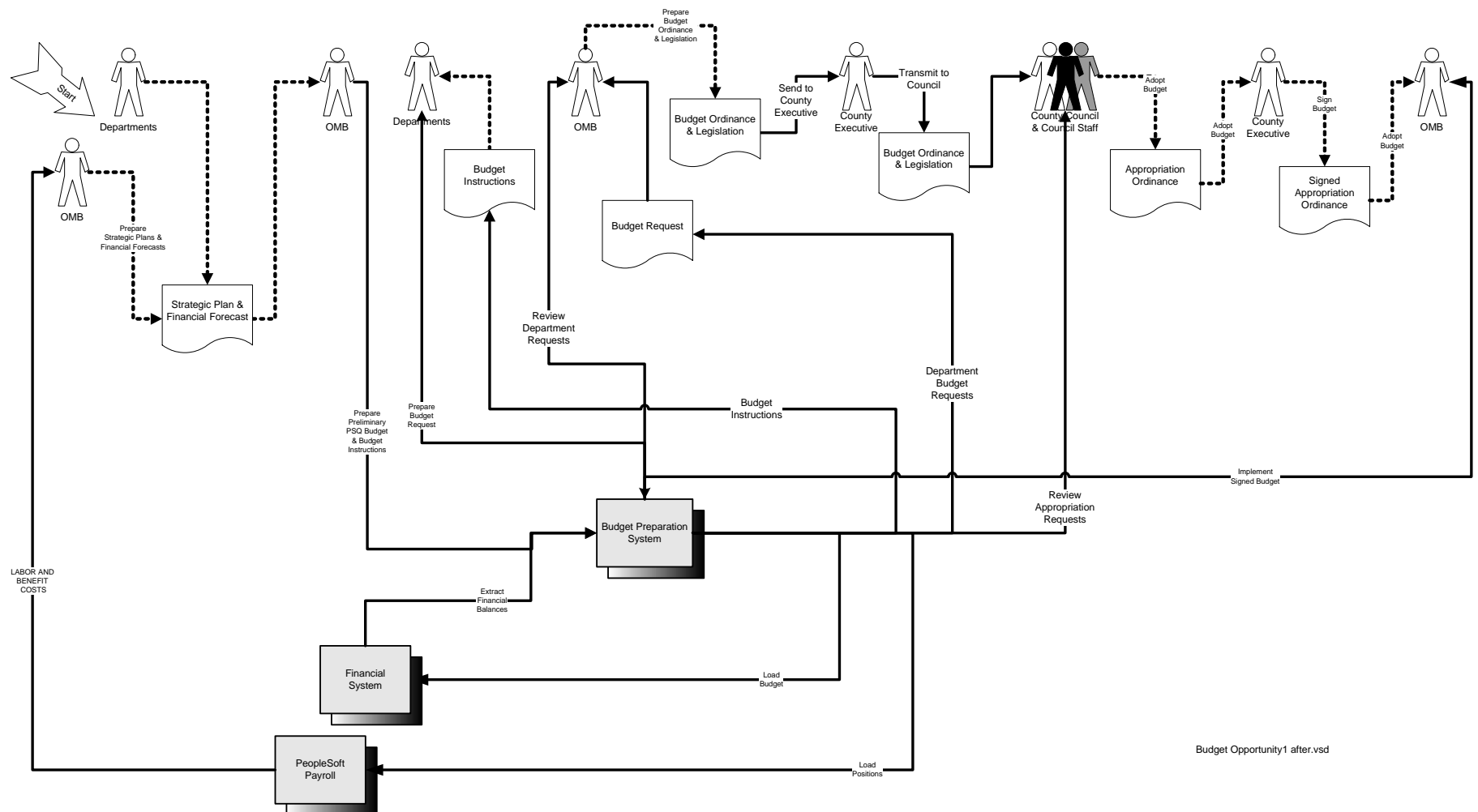
Automating, integrating, and consolidating business processes would improve the ability of the decision-makers in the budget process to conduct program analysis. The opportunity would improve the tools that facilitate that process. This opportunity would:

- Create common processes for the capital and operating budgets that address all stages in the budget process (planning, development, adoption, and implementation). The processes should share selected information and versions of the budget proposals between the OMB, departments, and Council while providing necessary security and confidentiality (The proposed budget is confidential until transmitted to Council in October).

- Provide automation for the common processes including the ability to develop budgets at the department level and automatically summarize totals for management presentation and analysis. Also provide characteristics to allow the budget information to be sorted and summarized to address specific queries and analyses.

- Provide electronic access to reports and report data.

Exhibit III-39 illustrates how the processes would flow with a single electronic process.

Exhibit III-39: Future Budget Business Area Process
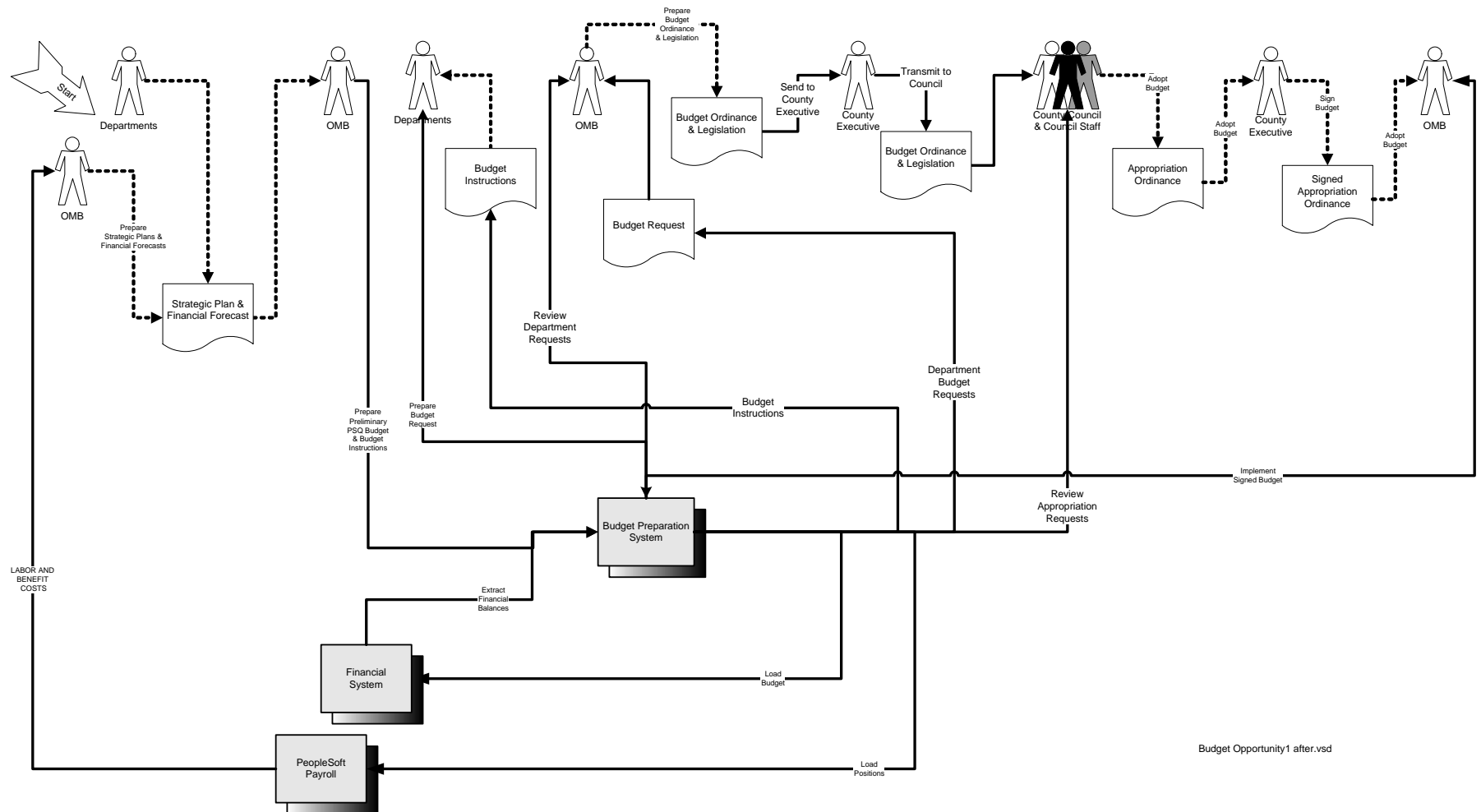
Budget Opportunity1 after.vsd

(1) Organizational Impacts

This opportunity will result in a refocus of tasks for the Council, OMB, and department staff. Staff will have more access to the budget details with the ability to drill down into needed areas. They will be able to perform "what if" scenarios and analyses using their version of the budget. There will be security to prevent unauthorized access into a budget version until it is ready for release.

(a) Centralized vs. Decentralized

The level of centralization versus decentralization for the budget process will likely remain the same. Departments will enter the data into the central system instead of into spreadsheets. The decentralized input process must address the following factors:

- Authorization of transactions for data input.

- Source document control and retention.

- Security administration.

- Training/ help desk function.

- Cost of fixing incorrect data that has been entered.

- A process for departments to report to OMB the basis for any data that has been input.

(b) Roles, Responsibilities, and Authority

Department, Council, and OMB staff will have better tools for analysis.

(c) Organizational Structure

No change in organizational structure is anticipated.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This opportunity addresses a majority of the Process Efficiencies, Process Gaps, and Process Inefficiencies identified in the Assessment Chapter, including:

(a) Operating Budget Development

- Common budget preparation processes.

- Organizational focus on budgeting.

- Focus on ARMS accounting hierarchy.

- Departments use side systems for budget development.

- No link between Mbase and Essbase.

- Limited ability for payroll analysis.

- Need multiple data structures for analysis.

- Independent department budget systems.

- Evolving performance measurement.

- Limited tools to analyze the impact of the adopted budget.

(b) Operating Budget Maintenance

- Supplemental budget is not posted to the budget database.

- Encumbrance carryover is labor intensive.

(c) Capital Budget Development

- CIP budget development processes, prioritization, and forms unique to each capital program.

- Annual budgets and planned CIP spending differences due in part to budget authority requirements in procurement/contract phase.

- Visibility on changes in scope, schedule and budget in subsequent years of a multiyear project.

(d) Capital Budget Maintenance

- Year-end carryover of CIP review in CIP reconciliation is labor intensive.

- Supplemental budget is not posted to the budget database.

(3) Cost of Operations

The cost calculations assume implementation of a new budget system with the capabilities to support development and maintenance of the operating and capital budgets. Implementation costs are based on market research of budget system implementations for large public sector organizations. Analysis for this document identified at least three commercial off-the-shelf software packages that could meet the functional needs. These packages are described in Appendix G. It also is possible that Essbase could be enhanced and reconfigured to provide additional capabilities and integration with other systems. Another possibility would be to use the budget developed capabilities

of an ERP solution. Either of these alternatives could improve the return on investment for this opportunity. Implementation Costs, Operating Costs, and Quantifiable Benefits are summarized in Exhibit III-40.

Exhibit III-40: Automate, Integrate, and Consolidate Business Processes.
10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$2,990,400
Incremental Technology Costs (10 years)*	$2,654,982
Total Cost of Ownership	**$5,645,382**
Quantifiable Benefits (10 years)	0
Net Benefit (10 years)	($5,645,382)
Accumulated Net Present Value (10 Years)**	($4,796,772)

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.
** Assumes 6 percent discount rate.

(4) Benefits

Increasing automation for the budget process will provide the following tangible and intangible benefits. Benefits from this opportunity will be realized over several years, with incremental improvements each year. It would be unrealistic to expect immediate process efficiencies. In fact, many organizations report a small decline in productivity following a major finance system implementation while employees are adjusting to new processes and applications.

Where possible, benefits were calculated using King County processing costs and published financial benchmarks. Benefits were calculated assuming an average productivity increase of 10 percent[5].

(a) Tangible

This opportunity can provide significant tangible benefits to the county. During the study, we could not develop and estimate of these benefits to a level of confidence satisfactory to the county. Areas where potential tangible benefits could occur include:

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[5] Based on GFOA estimate of average productivity increases resulting from an ERP implementation. See "Technology Needs Assessments, Evaluating the Business Case for ERP and Financial Management Systems," by Rowan Miranda, Shayne Kavanagh, Robert Roque, Government Finance Officers Association, 2002.

- The Government Finance Officers Association estimates a 10-15 percent productivity increase resulting from ERP implementation. These savings would be derived from better use of resources by eliminating redundant entry of data at different levels, allowing more time for budget analysis and policy decision-making, reducing paperwork, and promoting standardization.

OMB has indicated that it does not believe such savings can be realized in King County so they have not been included. Consequently, any business decision should be based upon the intangible benefits identified below. We recommend that the county establish a capability to measure any such savings if it moves forward with the budget system automation referenced here.

(b) Intangible

Intangible benefits include:

- Provide a better understanding of the budget process by providing consistent information at all levels of budget development and creating common and better assumptions going into the budget phase.

- Provide reduced time to get to information which will in turn provide efficient delivery on information requests from Council, require fewer custom reports, and provide better visibility as to the changes at each stage.

- Eliminate unique departmental systems and databases for budget development.

- Provide the opportunity to check assumptions and numbers by inputting the budget requests early in the process.

(5) Constraints

The use of new automated techniques in the budget process will fundamentally change how some of the management and staff approach the process. Constraints that could limit the extent to which this opportunity is implemented include:

- Changes in job functions may affect union contracts. Prior to implementation, the county must determine the affected contracts and begin working with union representative to address any issues.

- Departments must develop detail backup to support assumptions and alternatives for the budget requests that they submit. If these "working" papers are part of the budget system, there needs to be adequate security so that only those authorized can access this information.

(6) Performance Measures

Exhibit III-41 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-41: Automate, Integrate, and Consolidate Business Processes Performance Measures

Business Function	Recommended Performance Measures
Operating Budget Development	Operational savings as a result of enhanced automation
Operating Budget Maintenance	Operational savings as a result of enhanced automation
Capital Budget Development	Operational savings as a result of enhanced automation
Capital Budget Maintenance	Operational savings as a result of enhanced automation

(7) Role of Technology

Implementing enhanced automation to support the operating and capital budget processes requires the county invest in new technology for the following reasons:

- Essbase is the primary central system for the budget preparation. It is a database that provides analysis tools for the budget process. The database is available to the departments for query access but all updates are done in the OMB. (This is the result of a policy decision made by OMB as a way of maintaining control of the quality of the data in the system. This is not the result of a technical issue with Essbase.) Many of the updates are done by importing spreadsheets submitted by the departments. Essbase records the budget at the level of detail needed to load the adopted budget into ARMS and IBIS. Enhanced automation would provide the ability for departments to enter their budget requests directly into the system with appropriate security authority structures.

- Mbase is an Access database that provides the budget at the appropriation level. The Mbase version of the budget is submitted to Council. Enhanced automation would provide the reporting currently provided by Mbase from a single database.

- Public Health continues to use the county's legacy budget system to develop its department-level budget. The Public Health budget is more detailed than the countywide budget. Other departments maintain side systems to develop their budgets and to conduct analysis. These systems are usually a combination of Access database and spreadsheets. Some take copies of the Essbase database as a starting point. Some also download historical information from the financial systems. Enhanced automation

would provide the levels of detail required by all departments so that department side systems would not be required.

- The capital budget process uses CIP-base to formulate the capital budget. This Access database provides the detail and backup information for the capital program based on the department CIP requests. The CIP budget is entered into Essbase as a placeholder. Enhanced automation would integrate the CIP budget process with the operating budget.

b. Opportunity 2: Increase Analytical Capability

In this time of tight budgets, there is a need to improve the ability to better determine the cost of activities, the results of those activities, and the citizen attitudes about those activities.

Increasing the analytical capability for the departments, the OMB, and the Council will create the opportunity to make better decisions during the budget process. This applies to both the operating and capital budget efforts. The focus on this change is implementing activity-based costing, expanding the current performance measurement pilot to all departments, and relating citizen attitudes to investment decisions.

- **Activity-Based Costing**

  Activity-Based Costing (ABC) provides a method to assess the cost of providing service at specified levels. The current budget structure for the county is based on organization and to some extent program. One of two approaches is typically adopted to address ABC. One is to adopt an account structure in the financial system that is based on the activities that have been defined. The second method is to translate the financial information to the ABC structure and feed the information into a commercially available ABC system that would provide the analytical tools for setting priorities.

  ABC combines elements of budgeting reform that have evolved over the last 50 years. These include performance budgeting (workload measures) with planning programming and budgeting systems (PPBS) (program objective and outcome measures, zero-base budgeting (examine the rationale for existing as well as new activities, and cost accounting (identifies the true cost of activities).

  An activity-based budget will focus the decision-making process on the value of the activities. It will help management answer questions such as:

  − What is the 'full' cost of a particular activity?

  − "What do the people of King County get for their money in terms of results/service levels?" and "How well does King County do it?"

- Given limited revenues, what are the priorities?

- In order to fund higher value activities, should lower value activities be eliminated?

- What is the budgetary impact of changing activity of our service levels?

- Should we outsource an activity?

- How much of the costs in employees, equipment, and operations are required to deliver that outcome?

- Are our accounts receivable, payroll, or contracts areas providing services to operational areas efficiently? How do we compare to national benchmarks?

- How much time and human resource cost is necessary to deliver planned activities/outputs and manage reasonable workload prioritization and resource allocations?

- What department is delivering on activity or outputs most efficiently and what are they doing differently?

Activity-based costing and budgeting provides a forum to identify the most important activities and the true cost of performing those activities. It provides the information for managers to make decisions about eliminating or restructuring marginal programs and expanding programs that are higher priority.

This activity-based approach was used in the preparation of the State of Washington's 2003-2005 budget, the Priorities for Government Process (POG). This process involved stakeholders, department representatives, budget analysts, the governor, and state legislature in evaluating what activities the state would "buy" with available state dollars.

This process, described in the book *The Price of Government*, is co-authored by David Osborne who wrote *Reinventing Government*. In the book, the Washington process was referred to as "results-based budgeting."

One has suggested that many departments use the county 'low org' structure to define their activities. For example, Superior Court's low org structure breaks its budget down along criminal, civil, and juvenile workloads. The DAJD budget is distributed according to the King County Correctional Facility, the Regional Justice Center, the Community Corrections Division, and the Juvenile Division. The PAO budget is also broken down along functional lines – criminal, civil, fraud. And within the functional categories there is a further delineation of 'activities' – the special assault unit, the filing unit, the drug unit, trial teams, district court unit, etc. To the extent that this analysis process includes all of the elements of ABC and results-based budgeting, it should be emulated countywide.

- **Performance Measurement**

  Performance measurement is a method to measure how well the organization is meeting goals and objectives and how efficiently. GFOA has the following standards concerning performance measurement:

  – **Develop Performance Measures**

    Practice:
    A government should develop and utilize performance measures for functions, programs, and/or activities.

    Rationale:
    Performance measures are used for assessing how efficiently and effectively functions, programs, and activities are provided and for determining whether program goals are being met.

  – **Develop Performance Benchmarks**

    Practice:
    Performance benchmarks should be developed to aid in assessing how well a function, program, and/or activity is provided and how well it meets needs.

    Rationale:
    Performance benchmarks are comparative standards of performance and provide a frame of reference for evaluating program and service quality and cost-effectiveness. They are used as a basis against which to compare performance measures of functions, programs, and activities.

  Contemporary performance measurement not only measures how the county is achieving its goals but how it also permits county performance to be compared to other governments of similar size and complexity. The county has developed only very preliminary performance measures for seven county departments. The performance measures are updated quarterly. They are not directly tied to budget decisions. The departments participating in the current program are:

  – Department of Adult and Juvenile Detention (DAJD).

  – Department of Community and Human Services (DCHS).

  – Department of Natural Resources and Parks (DNRP).

  – Department of Transportation (DOT).

  – Department of Development and Environmental Services (DDES).

- Department of Executive Services (DES).

- Department of Public Health, Seattle and King County (DPH).

The departments' business plans include vision, mission, goals, core businesses, a discussion of the change dynamics impacting the department, and performance measures. Business plans are continually improved and updated annually as part of the county's budget process. Business plans and performance measures are used by the County Executive and his staff to help make budget decisions that ensure the best use of resources (people and dollars). In addition to the performance measures contained in the business plans, the Executive and the Executive's staff review department reports on a handful of key measures on a regular basis throughout the year to make adjustments in management strategy where needed.

Expanding the performance measure initiative to the entire county and tying it to the budget process would improve management's ability to base decisions on the planned outcomes of activities. A rigorous performance measure process can help identify those areas that are performing well and provide the opportunity to implement their methods countywide. It can also highlight those areas needing improvement to initiate additional training, changes in processes, or other proactive changes to improve the performance of the county as a whole.

Further, the OBC process has identified performance-based benefits, measures, and benchmarks for improvement opportunities. OMB should establish a process to measure the results of the improvement opportunities with these measures.

GFOA standards indicate the county should also incorporate citizen attitudes into decision-making in a much more specific way. The county has done some general survey research to determine citizen priorities. It also has conducted some issue-specific focus groups. However, budget priorities can only be generally inferred from this work. King County should utilize more survey research linked to specific activities and performance measurement.

This approach is illustrated in the process "Performance Maintenance – Accountability to Our Taxpayers for Results." This process was developed by Dye Management Group, Inc. in conjunction with the King County Department of Transportation, Road Services Division. This process assessed public expectations for level of service, linked these to specific performance measures, and used the results to develop budget and management options.

This process is illustrated in Exhibit III-42.

Exhibit III-42: Performance and Customer-Based Budgeting
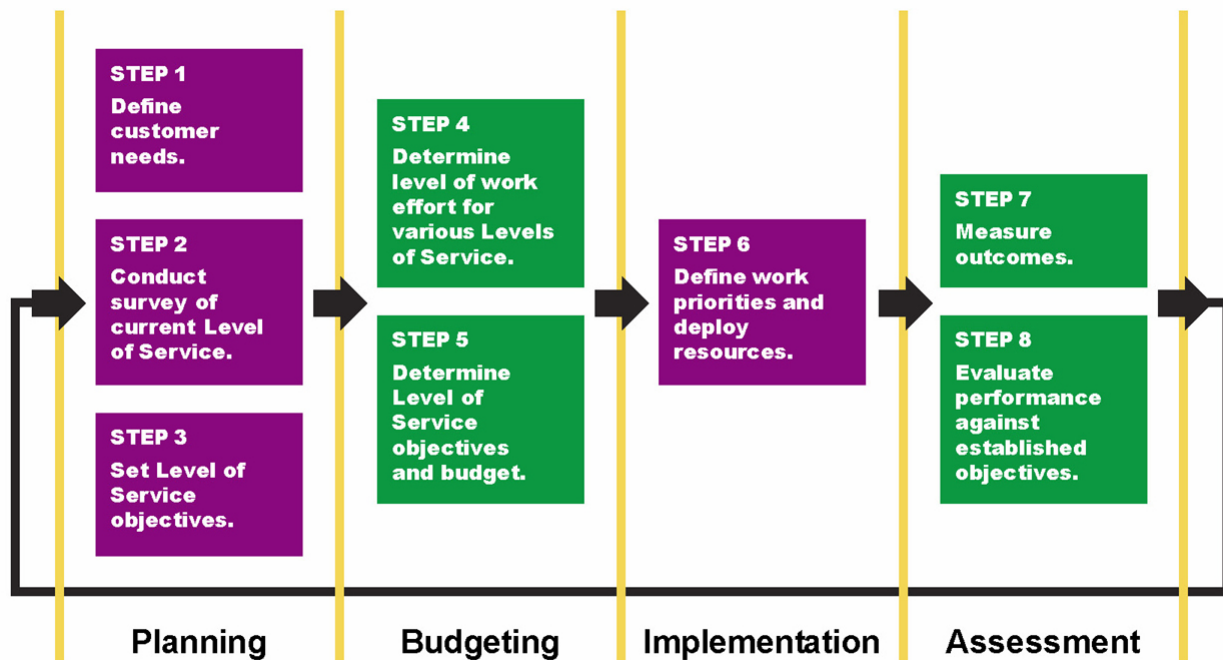
These approaches represent best practice in performance measurement and citizen attitude assessment and should be expanded for key other King County services and used in countywide budgeting and priority setting.

This process used both a countywide statically valid survey and focus groups to obtain citizen attitudes.

Exhibit III-43 below indicates some of the results of this survey research combined with actual performance measurement. Here actual measured levels of service (quality levels) are compared with the levels of service desired by King County citizens. Many other jurisdictions use these and other approaches in citizen attitude assessment. These approaches are well documented in GFOA literature.

Exhibit III-43: King County Roads Citizen Attitude Survey

Spend More Now to Save Money Later

86%   Yes

10%   No

4%   Not Sure
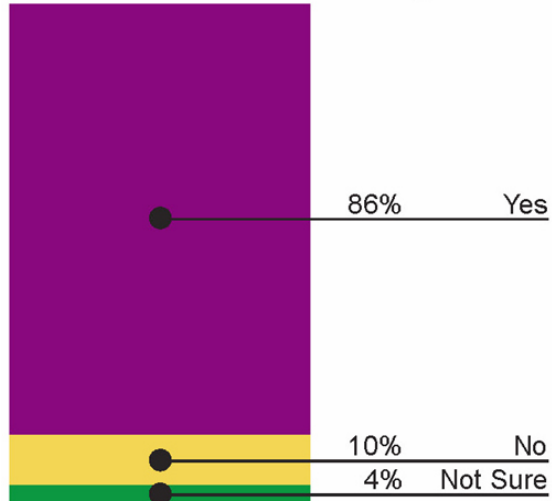
Willingness to Pay More Taxes for Improved Maintenance

42%   Yes

51%   No

7%   Not Sure
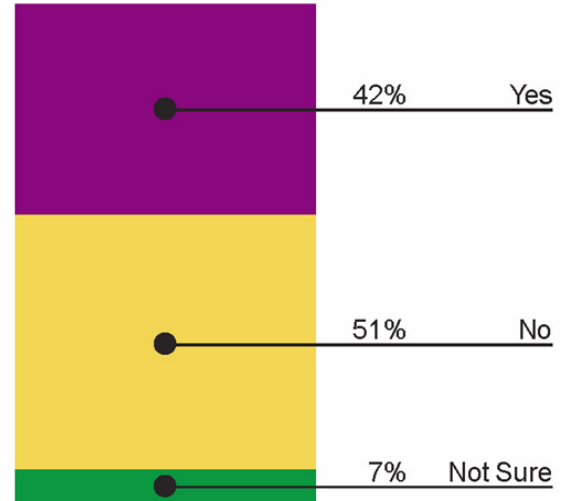
Exhibit III-44: Current Analytical Process

Essbase → Reports

M-Base → Reports

CIP Base → Reports

Public Health Budget System → Reports

ARMS → Reports

MSA Payroll → Eagle Server → Reports

Eagle Server → Reports

Agency Databases & Spreadsheets → Reports

Performance Measures (WEB) → Reports

IBIS → Reports

PeopleSoft → Business Objects → Reports

Business Objects → Reports

County Council & Council Staff

County Executive

OMB or Departments

Analytical Report

Special Report

Programmer

Develop Report

Develop Report

Request Information

Information

Perform Analysis

Request Special Report

Request Special Report

Budget Opportunity 2 before.vsd

Increased analytical capability would provide a methodology supported by system tools to support activity-based costing and integration of performance measures. Enhanced analytical capability would allow the decision-makers in the budget process to prioritize programs based on the importance to the county and the cost of the expected outcomes. It will allow the county to compare its performance with other counties of similar size and complexity. This opportunity would:

- Create common processes for the identifying and implementing activity-based costing throughout the county organizations.

- Implement methods for identifying the level of service at escalating cost levels. For example, for a high cost, all roads can be maintained at their peak level for public acceptance. At a lower cost, they can be maintained a safe level. At the lowest cost, the roads will deteriorate, possibly incurring a higher replacement cost in the future.

- Establish criteria for prioritizing activities using public input.

- Create reports to monitor costs by the activities.

- Implement a performance measurement plan for all departments.

- Tie performance measures to the budget to allow budget levels that support achieving the performance criteria.

- Establish reports to monitor the performance on a scheduled basis.

- Account for citizen attitudes.

Exhibit III-45 Summarizes the GFOA Best Practices in Public Budgeting that apply to this opportunity.

Exhibit III-46 illustrates how the processes would flow with a single electronic process.

Exhibit III-45: GFOA Best Practices in Public Budgeting[6]

6.3 Identify Functions, Programs, and/or Activities of Organizational Units
Practice: The functions, programs, and/or activities of the government's organizational units should be identified. **Rationale:** Clear identification of the functions, programs, and/or activities of organizational units assists those reviewing or evaluating the government develop a better understanding of the role of each organizational unit, and it aids in evaluating the services it provides. Explicit descriptions of these items also help employees of the government better understand the tasks for which they are responsible.

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[6] GFOA Best Practices in Public Budgeting, 1999

Exhibit III-46: Future Analytical Process

Budget Preparation System

Reports

Financial System

Reports

PeopleSoft Payroll

Reports

Performance Measures

Reports

Analytical DB & Tools

County Council & Council Staff

County Executive

Request Information

OMB or Departments

Perform Analysis

Analytical Report
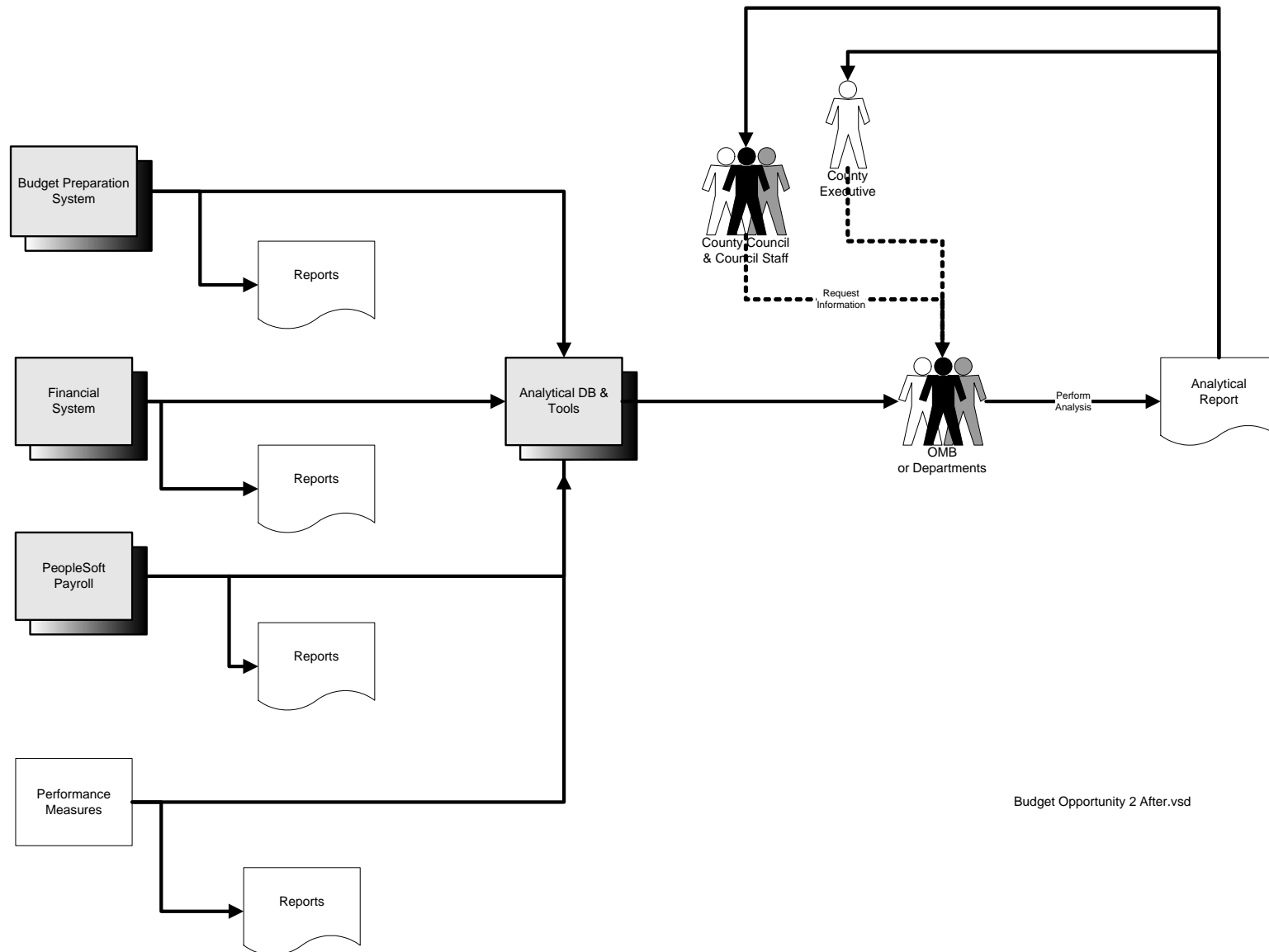
Budget Opportunity 2 After.vsd

(1) Organizational Impacts

This opportunity will result minor organizational change.

(a) Centralized vs. Decentralized

Major responsibility for monitoring the budget development and performance measures processes should remain with OMB. The departments will continue to have the responsibility and the authority to develop and monitor their budgets.

(b) Roles, Responsibilities, and Authority

Roles of Council, OMB, and department staff will change in the following ways:

- OMB will have a greater coordination role in developing activity based costing standards. They should be responsible for holding public hearings and conducting surveys to obtain public input n the priorities.

- Departments will submit their budget requests as they do today or using updated business processes defined in Opportunity 1. Their requests will be weighed against all other deportments' requests to determine the countywide priorities and the funding levels available. The ABC analysis will be structured to address revenue sources as well as expenditure priorities.

- The Executive and the Council will use the activity based costing priorities as a tool to adopt the appropriations.

(c) Organizational Structure

No significant change to the organizational structure is anticipated as a result of this change.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This opportunity addresses a majority of the Process Efficiencies, Process Gaps, and Process Inefficiencies identified in the Assessment Chapter, including:

(a) Operating Budget Development

- Internal service rates.

- Delays in forecasting.

- Limited analysis data in Essbase.

- Limited ability for payroll analysis.

- Inability to address analysis for changing policy.

- Need multiple data structures for analysis.

- Evolving performance measurement.

- Limited tools to analyze the impact of the adopted budget.

(b) Other Operating Budget Processes

- Ineffective allotment process.

(c) Capital Budget Development

- Integration of performance measures with CIP budget.

- Inefficient data management with need for consolidation (i.e. Essbase/CIP base, IBIS/ARMS) and improved reporting (project monitoring and development of analytical reports).

(d) CIP Reconciliation

- Departments track CIP balances manually until the CIP reconciliation ordinance is passed.

- CIP reconciliation and CIP flexible budgeting have duplicative requirements and overlapping due dates.

(3) Cost of Operations

Implementing a Budget Data Warehouse is one way to bring data together in a common form to increase analytical capability. The costing of this opportunity assumes the data warehouse approach. This approach supports both activity-based costing and performance measures. It demonstrates a net benefit to the county over a ten year time period. Implementation costs, operating costs, and quantifiable benefits are summarized are presented in Exhibit III-47.

Exhibit III-47: Enhanced Budget Analytical Capability
10-Year Cost and Benefit Summary

Costs	
Implementation Costs	$ 1,253,520
Incremental Operating costs (10 years)*	2,350,059
Total Cost of Ownership	**3,603,579**
Quantifiable Benefits (10 years)	0
Net Benefit	**(3,603,579)**
Accumulated Net Present Value (10 years)	**($2,907,793)**

* Incremental operating costs represent the increase in the costs to support and maintain applications related to this opportunity. These costs do not include department business process costs.

(4) Benefits

Implementing activity-based costing and performance measures and the analytical tools to support them will generate both tangible and intangible benefits.

(a) Tangible

This opportunity can provide significant tangible benefits to the county. During the study, we could not develop and estimate of these benefits to a level of confidence satisfactory to the county. Areas where potential tangible benefits could occur include:

- A reallocation of a percentage factor of the county's operating budget is a method of determining the benefit of implementing activity-based costing (ABC). ABC helps to deploy the budget dollars where they have the greatest benefit to the constituents of the county.

    When the State of Washington implemented the priorities for Government Process they achieved an 8.8 percent savings for the current level budget. It is reasonable to assume that King County could. Below outlines potential scenarios for King County using both similar ABC costing techniques and performance measurement.

- A reallocation of a percentage of the county's operating budget is way of estimating the benefit of implementing performance measures and attaching them to the budget analysis. More importantly, performance measures help improve service delivery to the constituents of the county.

OMB has indicated that it does not believe such savings can be realized in King County so they have not been included. Consequently, any business decision should be based upon the intangible benefits identified below. We recommend that the county establish a capability to measure any such savings if it moves forward with the budget system automation referenced here.

(b) Intangible

Intangible benefits include the ability to:

- Identify the full cost including overhead.

- Allow activities to be prioritized for budget analysis.

- Provide the ability to compare costs with other governments and outside service providers.

- Ensure that the public's priorities are systematically considered in the budget process.

- Expand the public's buy into the priorities and the supporting budget.

- Improve the ability to identify efficiencies.

- Improve service quality.

- Provide the ability to more precisely communicate the result of budget expenditures.

(5) Constraints

The implementation of enhanced analytical capabilities will fundamentally change how some of the management and staff approach the budget development and management process. Constraints that could limit the extent to which this opportunity is implemented include:

- There could be resistance to cutting lower priority activities during tight budgets because of political pressures.

- Labor contracts could limit the ability to fully implement cuts or to reprioritize programs.

(6) Performance Measures

Exhibit III-48 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-48: Enhanced Budget Analytical Capabilities Performance Measures

Business Function	Recommended Performance Measures
Operating Budget Development	• Dollar value of budget reallocations • Efficiency results in County Budgets
Capital Budget Development	• Efficiencies results in County Budget

(7) Role of Technology

Implementing enhanced automation to support the improved analytical capabilities requires the county to invest in new technology for the following reasons:

- The current budget and accounting systems (Essbase, ARMS, and IBIS) do not support activity-based costing. These systems potentially could support an activity sort if the coding structures were redesigned or expanded.

- In addition to the coding structure, a full cost allocation process would need to be implemented. Elements of this exist in both of the financial systems but would require evaluation and changes.

- Another way that technology could support this opportunity would be to implement a back-end cost allocation process to recast the accounting records by activity.

c. Opportunity 3: Improve Capital Planning and Monitoring

A significant opportunity for improvement is in capital planning and monitoring. There are two key opportunities in this area:

- Implement a uniform countywide capital project management process. The county manages $624 million in capital improvement projects per year. Improving the monitoring and accessibility of project monitoring reports for the capital projects has the potential of reducing the costs of the capital program and improving project completion rates.

- Implement a countywide asset preservation process. The county manages $3 billion of capital assets.

Best practices would provide a method to:

- Provide policy focus on preserving county assets.

- Provide consistent management of capital projects throughout the county.

- Provide policy-lead in on capital project status so required action can be discussed.

- Provide a consistent method for developing and recording long-range capital programs including the six-year capital plan with increased accuracy as the planning of the capital program progresses.

- Provide the ability to forecast the cost of maintaining major assets such as roads, wastewater facilities, and structures to maintain a level of maintenance that preserves the asset.

- Provide the ability to identify the total amount of county deferred maintenance and preservation and the resulting cost impact of that deferral.

- Ensure compliance with GA SB34.

- Provide scope, schedule, and budget status to department, OMB, and Council as needed.

- Provide scope, schedule, and budget at various levels of detail such as project phase, project, and program.

- Relate the capital projects to the long-range capital plan.

Exhibit III-49 Summarizes the GFOA Best Practices in Public Budgeting that apply to this opportunity.

Exhibit III-50 provides a high level overview of the current environment.

Exhibit III-49 GFOA Best Practices in Public Budgeting

2.2 Assess Capital Assets, and Identify Issues, Opportunities, and Challenges

Practice:

A government should identify and conduct an assessment of its capital assets, including the condition of the assets and factors that could affect the need for or ability to maintain the assets in the future.

Rationale:

The capital assets of a government and their condition are critical to the quality of services provided, and hence are important in determining whether the needs and priorities of stakeholders can be met.

5.2 Prepare Policies and Plans for Capital Asset Acquisition, Maintenance, Replacement, and Retirement

Practice:

A government should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement.

Rationale:

Policies and plans for acquisition, maintenance, replacement, and retirement of capital assets help ensure that needed capital assets or improvements receive appropriate consideration in the budget process and that older capital assets are considered for retirement or replacement. These policies and plans are necessary to plan for large expenditures and to minimize deferred maintenance.

6.2 Develop Options for Meeting Capital Needs & Evaluate Acquisition Alternatives

Practice:

A government should develop specific capital project options for addressing capital needs that are consistent with financial, programmatic, and capital policies and should evaluate alternatives for acquiring the use of capital assets.

Rationale:

Capital project planning is necessary to give adequate consideration to longer-range needs and goals, evaluate funding requirements and options, and achieve consensus on the physical development of the community. An evaluation of alternative mechanisms helps ensure that the best approach for providing use of a capital asset or facility is chosen based on the policies and goals of the government.

Exhibit III-50: Current Capital Asset Process Diagram

Long-Range Capital Plan

Budget Instructions

CIP Budget Request — Excel Spreadsheets

Budget Ordinance & Legislation — Copy of CIP base DB

Budget Ordinance & Legislation — Copy of CIP base DB

Appropriation Ordinance

Departments

OMB

Prepare Preliminary PSQ Budget & Budget Instructions

Departments

Prepare Budget Request

OMB

CIP Budgets

Prepare Budget Ordinance & Legislation

OMB

Send to County Executive

County Executive

Transmit to Council

Adopt Budget

County Council & Council Staff

Review Department Budget Submittals

CIP Base

Report Status

Project Financial Data

IBIS

ARMS

Project Financial Data

Project Expenditures

Project Expenditures

CIP Reconciliation Ordinance

Signed Appropriation Ordinance

Department Project Management Systems

Project Status

Report Status

County Executive

Sign Budget

Adopt Budget

OMB & Departments

Load CIP Budget

Load CIP Budget

Set up New Projects

Adopt Budget

Departments

Maintain Status

Departments

Report Status

Departments

Project Status

Report Status

OMB & Departments

Adopt Budget

Budget Opportunity3 before.vsd

This opportunity would:

- Create a common process incorporating capital preservation practices into the budget development and analysis. The process would include common practices for determining the maintenance levels to achieve the maximum utilization of an asset before it must be replaced or it requires major capital investment. Some agencies have asset preservation practices in place today. This process would provide policy makers with information on the condition of capital assets, the funding required, the cost impact of deferring that funding, and the amount of unfunded liability for assets. This will permit them to better set capital funding priorities so that they can better establish priorities and understand the impacts of their decisions. It would include this information as part of the overall capital plan so that it is accessible and consistent in presentation. It will serve as a focal point to have a coordinated countywide approach to managing assets. As identified below, this is a countywide problem that needs countywide focus.

  The county faces this issue with its buildings. For building components, a 2002 report by Carter-Burgess engineers identified $5.5 million in deferred maintenance and $81 million in renewal needs for 2002/2003.[7] The county Executive and county council worked together to fund preservation amounts they considered comparable to other jurisdictions. However, this resulted in a small portion of these needs funded. Not funding these needs could lead to higher long term costs. In addition, the analysis indicates that not addressing deferred maintenance will require much more costly renewal investments many years earlier. Research indicates that depending on the improvement, $4-10 can be saved for every dollar spent on preservation. Consequently, the cost impact of deferring this investment could be significant.

  While the Wastewater Treatment Division (WTD) has historically identified and funded major maintenance and replacement needs for its plant and conveyance systems, they have recently initiated an effort to improve their asset management program, with the intent of establishing a more rigorous and systematic approach to determining optimum funding levels. WTD's current level of funding for asset management projects is budgeted at about $40 million annually, with provisions made in the sewer rate model for this level of effort. Once WTD's asset management system improvement is implemented, it may help determine that a higher level of annual funding is warranted to achieve cost-effective life-cycle asset preservation. [8] Wastewater estimates that their assets alone have a replacement cost of over $3 billion. Clearly, the county must preserve these assets.

  There is no current countywide process to deal with these asset preservation issues. However, the county has enormous investment in these assets.

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[7] "King County Department of Executive Services Facility Survey, Carter-Burgess, October 25, 2002"
[8] King County Wastewater Treatment Division Asset Management Program Summary, April 27, 2004

Unfunded preservation activities in most jurisdictions represent a large liability. Given the magnitude of this problem and the required investments, the county needs a countywide process to focus on this issue.

- Provide a common method and tools to collect and analyze CIP scope, status, and schedule with criteria for highlighting those projects that require attention or that have high Council or public visibility. This information would be available though a simple query for all interested parties. An example of what could be done is a project dashboard that would visually show the status of a project or group of projects in a webpage form.

Exhibit III-51 illustrates how the processes would flow with a single electronic process.

Exhibit III-51: Future Capital Asset Process Diagram
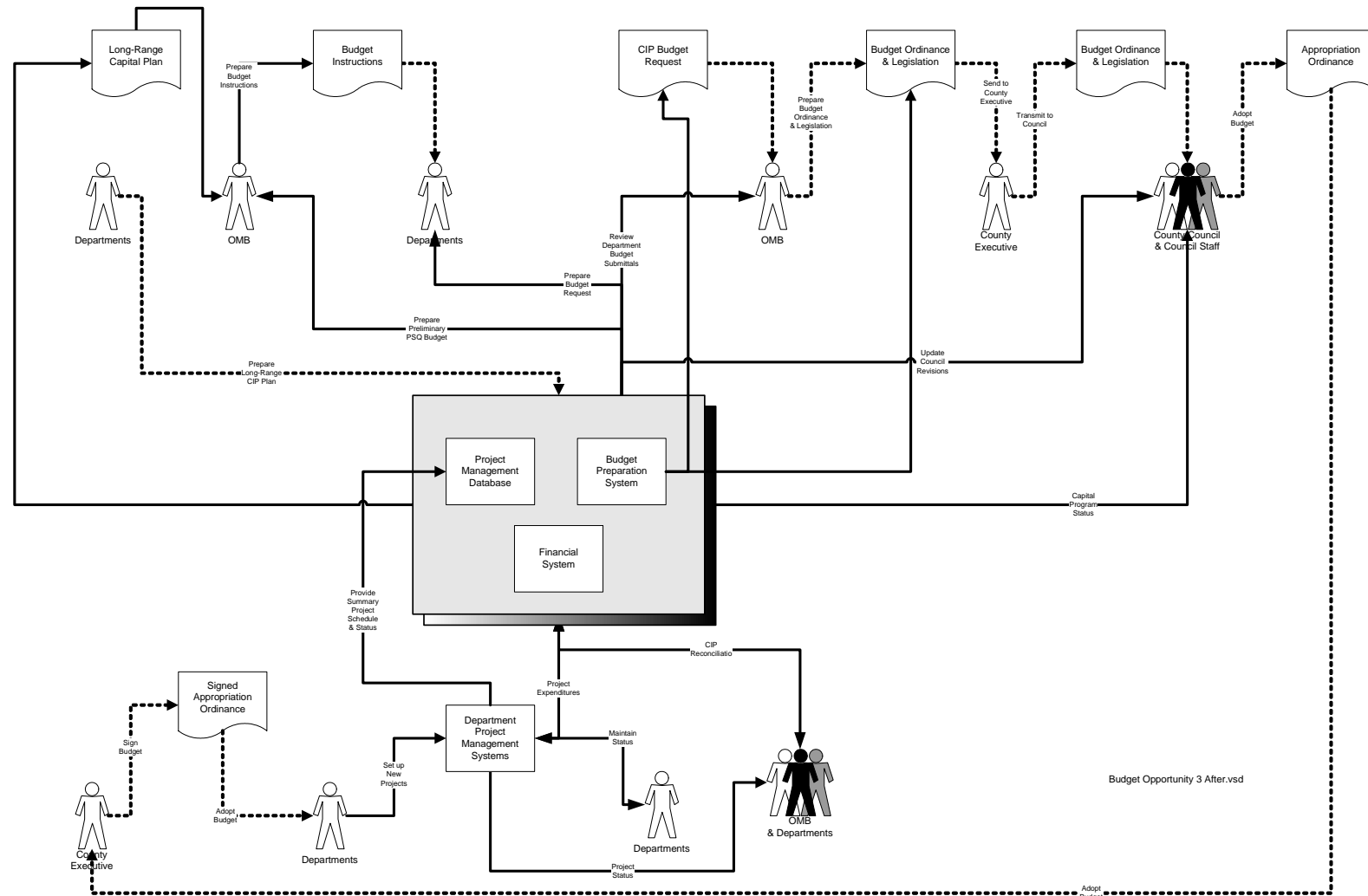
(1) Organizational Impacts

(a) Centralized vs. Decentralized

The departments currently manage capital projects using departmental systems. Some are more sophisticated than others. This opportunity would create a common practice with common tools for managing the projects.

(b) Roles, Responsibilities, and Authority

Roles of Council, OMB, and department staff will change in the following ways:

- The Council will have access to both quantitative (budget and expenses) and qualitative (schedule, scope and status) available for key projects. The asset preservation approach will clarify priorities for maintenance dollars.

- The OMB's role will have additional project information available to manage the ongoing capital funding. The asset management approach will change the focus of the capital program from replacement to performing the necessary maintenance to preserve the asset.

- Department staff will be required to use the central system for managing projects. Long-range capital plans and capital budget requests will also be entered into the central project system by the departments.

- Department maintenance of assets will focus on evaluating the maintenance required to preserve the asset at a predefined level of usefulness. This approach is consistent with GASB 34 requirements.

(c) Organizational Structure

This opportunity will result minor organizational change.

(2) Process Efficiencies, Process Gaps, and Process Inefficiencies

This opportunity addresses a majority of the Process Efficiencies, Process Gaps and Process Inefficiencies identified in the Assessment Chapter, including:

(a) Operating Budget Development

- Delays in forecasting.

(b) Capital Budget Development

- CIP budget development processes, prioritization and forms unique to each capital program.

- Annual budgets and CIP spending differences due in part to budget authority requirements in procurement/contract phase.

- Visibility on changes in scope, schedule and budget in subsequent years of a multiyear project.

- County codes for CIP budget do not specifically require asset preservation.

- Difficult to review CIP data for current expense and dedicated funding sources.

- Timing of loading the CIP appropriation.

- Consistent accounting definition and reporting for capital projects.

(c) Capital Budget Maintenance

(d) CIP Reconciliation

- Departments track CIP balances manually until the CIP reconciliation ordinance is passed.

- Little time to evaluate limited project status information.

- Workload issues between CIP reconciliation and flexible budgeting processes due to overlapping due dates and reporting requirements.

(3) Cost of Operations

Improving capital planning and monitoring projects will require user tools for implementation. The implementation costs assume an enterprise project management system. Costs are based on information obtained by surveying vendors that provide project management software and implementation support. Implementation Costs, Operating Costs, and Quantifiable benefits are summarized in Exhibit III-52.

**Exhibit III-52: Improve Capital Planning and Monitoring
10-Year Cost and Benefit Summary**

Costs	
Implementation Costs	$831,600
Incremental Technology Costs (10 years)*	2,339,532
Total Cost of Ownership	**$3,171,132**
Quantifiable Benefits (10 years)	0
Net Benefit (10 years)	**(3,171,132)**
Accumulated Net Present Value (10 years)**	**($2,506,156)**

(4) Benefits

Increasing automation for the budget process will provide the following benefits:

(a) Tangible

This opportunity can provide significant tangible benefits to the county. During the study, we could not develop and estimate of these benefits to a level of confidence satisfactory to the county. Areas where potential tangible benefits could occur include:

- Asset Preservation processes will extend the useful life of an asset before replacement or major reconstruction is required. Studies indicate that 4 to 10 dollars can be saved for every dollar spent on preservation. The county reports $603 million in infrastructure assets and $1,198 million in buildings. The county can achieve significant savings by investing in preservation techniques and schedules that will extend the life of the asset.

- Common practices supported by project management tools, including current financial reporting on project expenditures, can be used in an effort to reduce project costs and improve project completion rates by providing better visibility to status and scope of the projects in the capital program.

OMB has indicated that it does not believe such savings can be realized in King County so they have not been included. Consequently, any business decision should be based upon the intangible benefits identified below. We recommend that the county establish a capability

to measure any such savings if it moves forward with the budget system automation referenced here.

(b) Intangible

Implementation of a countywide project tracking process that includes both quantitative and qualitative information on project status, budget, schedule, scope, and quality would generate the following benefits:

- Eliminate inefficiencies and inconsistencies produced by dual ARMS/IBIS project accounting processes.
- Provide more information to the departments that lack adequate monitoring systems.
- Allow action to be taken earlier to avoid project schedule or budget overruns.
- Reduce the number of provisos by providing the Council with status reporting.
- Provide the ability to coordinate effort for projects in similar areas.
- Enhance the capital budget information (justification, total cost of ownership) and facilitation of better sharing of information between the OMB, Departments, and Council would generate the following benefits:
  - Provide more qualitative project information to the Council and the budget process. (Note: however it is important to develop reporting mechanisms that focus on the small number of at-risk projects rather than overloading OMB and Council with information on all CIP projects).
  - Provide efficiency and effectiveness in delivering on information.
  - Provide for a better use of resources.
  - Provide additional information for decision-making.
- Facilitate better program decisions across the county through better coordination of multi-department issues (where one project impacts another department).
- Provide visibility of new projects.
- Streamline CIP reconciliation and flexible budgeting efforts.
- Implementation of a countywide asset management approach would generate the following benefits:
  - Maintain value of the asset rather than replace it.
  - Achieve lowest life cycle costs for capital facilities.

- Provide a prioritization method for major maintenance and preservation projects.

- Provide a better return on investment for taxpayer resources (stewardship).

- Support GASB 34 compliance.

Providing the ability to better anticipate and prioritize capital improvement needs would generate the following benefits:

- Reduce effort through the use of common tools.
- Provide more flexibility in resource utilization. Staff trained in the capital planning process in one organization could be loaned to another organization to provide additional help.
- Increase employee mobility. Staff trained in the common capital planning process could more easily move from one organization to another.
- Provide coordinated policy for planning.

(5) Constraints

The use of new automated techniques in the budget process will fundamentally change how some of the management and staff approach the process. Constraints that could limit the extent to which this opportunity is implemented include:

- Though most capital programs give high priority to asset management budgeting, the capital budgeting requirements in the King County codes do not specifically mandate asset preservation of assets. The codes controlling the capital budget process are geared toward newly constructed assets.

(6) Performance Measures

Exhibit III-53 lists the performance measures currently in place related to this opportunity as well as recommended measure to assess project success.

Exhibit III-53: Improve Capital Planning and Monitoring Performance Measures

Business Function	Recommended Performance Measures
Capital Budget Development	Dollar amount of total capital need over the six years.
	Impact of not funding that need on programs.
	Dollar amount of required maintenance and preservation funding required over the six-year plan.
	Dollar amount of deferred maintenance/preservation.
	Dollar amount of impact of not funding deferred maintenance/preservation on downstream capital costs and on programs/Cost savings from timely fund.

(7) Role of Technology

Implementing enhanced automation to support the asset preservation and project management processes requires the county invest in new technology.

- **Project Management Database.** A project management system would provide a single place to report cost, schedule, and status of the county's CIP projects.

5. Process Integration

The Process Integration Focus Group and each of the individual focus groups identified the need for integration. Many of the processes share data with or depend on data from other processes, both within the business functions and across business functions. We did not identify specific high payback opportunities for process integration. The benefits from process integration are addressed in one or more opportunities in each of the business functions. For example, each of the business areas includes a high payback opportunity to Automate, Integrate, and Standardize Processes. The cost and benefits of process integration are included in those opportunities.

C. Alternatives

Based on information gathered through the assessment process and analysis of high payback opportunities, Dye Management Group, Inc. developed three alternatives for addressing improving the current King County business model. The alternatives are as follows:

- **Status Quo** – This alternative keeps the current processes and systems that support them. No significant additional investment will be made to improve the business processes or the systems.

- **Enhance Current Processes** – This alternative will enhance current business processes without replacing the current systems. Only minimal enhancements will be made to the current systems to improve integration, provide new reporting capabilities, and improve access to data. Changes to business process will focus on those that are not system dependent or that can be implemented with minimal system enhancements.

- **Business Transformation** – This alternative will fully implement the high payback opportunities using industry best practices. It assumes all county employees will be migrated to the PeopleSoft human resources/payroll system. Initially it was assumed a new financial system would be purchased and implemented for all departments using one of the major ERP applications. As we developed the recommendation, we modified this assumption to recommend that Oracle be implemented countywide. This alternative also presumes implementation of a single countywide budget system that is fully integrated with the Financials, Human Resources, and Payroll processes. Oracle could also be the basis for the budget business area.

  It was not within the scope of this engagement to update payroll and financial system implementation costs. However, we do recommend a change in the financial system strategy to a rollout of the Oracle system countywide. This will involve working with the departments to modify their business processes consistent with the QBC recommendations and configuring the system to support countywide requirements. At this point, we recommend the county obtain updated licensing and implementation costs for this approach.

The remainder of this section is devoted to analyzing the alternatives. The analyses are presented in table format to facilitate alternative comparison. The first section provides an analysis on how the high payback opportunities are addressed by each alternative. The next four sections provide an analysis for each business area. The final section consists of a consolidated analysis across the four business areas.

1. Implementation of High Payback Processes

Exhibit III-54 presents the high payback opportunities by business area that are addressed by each alternative.

Exhibit III-54: High Payback Opportunities by Alternative

Opportunities	Alternative 1	Alternative 2	Alternative 3
Finance			
Automate, integrate, and consolidate business processes.	• Not addressed.	• Minimal business process improvements.	• Integrated financial system. • Business process improvements.

Opportunities	Alternative 1	Alternative 2	Alternative 3
Enhance the finance data warehouse.	• Finance reporting website.	• Enhanced data warehouse.	• Integrated financial reporting.
Electronic document imaging and document management.	• Remittance processing equipment scans many county payments.	• Not addressed.	• Document imaging and workflow. • Integrated with financial system.
E-Procurement.	• WTD P-card pilot program.	• Expansion of P-Card program countywide.	• Expansion of P-Card program countywide. • Electronic catalogs.
Capital asset management best practices.	• Not addressed.	• Updated capital asset policies.	• Updated capital asset policies.
Human Resources			
Automate, integrate, and consolidate business processes.	• Not addressed.	• Not addressed.	• Single, integrated human resources/payroll system. • Human resources/payroll integrated with budget and financial systems, and processes.

Opportunities	Alternative 1	Alternative 2	Alternative 3
Performance management / performance improvement best practices.	• Performance appraisals and individual development plans are used inconsistently.	• Standard methodology for countywide performance appraisals and individual development plans based on best practices.	• Standard methodology for countywide performance appraisals and individual development plans based on best practices. • Performance appraisals and individual development plans are integrated with Human Resource data. • Performance appraisals and individual development plans are integrated with performance measures.
Refine and standardize union negotiations and administration.	• Not addressed.	• Standard contract language. • Stakeholder involvement in negotiations. • Contract application.	• Standard contract language. • Stakeholder involvement in negotiations. • Contract application.
Implement succession planning and mentoring program.	• Not addressed.	• Performance appraisals identify key knowledge, skills, and abilities. • Individual development plans identify successors. • Mentorship programs develop successors.	• Performance appraisals identify key knowledge, skills and abilities. • Individual development plans identify successors. • Mentorship programs develop successors.

Opportunities	Alternative 1	Alternative 2	Alternative 3
Implement quality assurance strategies.	• Not addressed.	• Formal quality assurance methodology. • Ongoing audits. • Streamlined and consistent human resource processes	• Formal quality assurance methology. • Ongoing audits. • Streamlined and consistent human resource processes.
Payroll			
Automate, integrate, and consolidate processes.	• Not addressed.	• Not addressed.	• Single, integrated human resources/payroll system. • Human resources/payroll integrated with budget and financial systems and processes.
Budget			
Automate, integrate and consolidate business processes	• Not addressed.	• Improved integration with M-Base. • Essbase open to department input. • More department access to budget information.	• Robust budget system integrated with departmental systems. • Significant integration with Financial, Human Resources, and Payroll processes and systems.
Increase the analytical capability.	• Not addressed.	• Activity based costing. • Focus on performance measures. • Improved reporting and analysis tools through data warehouse.	• Activity-based costing supported by technology. • Performance measures integrated with Budget and Financial Systems.

Opportunities	Alternative 1	Alternative 2	Alternative 3
			• Robust access to integrated budget, financial, human resources, and payroll data.
Improve capital planning and monitoring.	• Not addressed.	• Multi-year project financial budgets and expenditures through financial data warehouse.	• Integrated project planning and monitoring processes. • Countywide capital planning. • Countywide capital project monitoring.

2. Comparison of Alternatives

This section compares the three alternatives by business area. The comparison includes the following:

- **Information Flow** – Describes the integration between business functions and data.

- **System Features** – Describes the key system components and capabilities including support for best practices.

- **Roles, Responsibility, Authority** – Identifies the roles, responsibility, or authority changes required to implement each alternative.

- **Organization Structure** – Identifies the organization changes required including changes in staffing levels, span of control, and staffing models.

- **Alignment with Vision and Goals** – Scores the alternatives based on support for the county's general operational, technology specific, and business area goals from the Vision and Goals statement.

- **Benefits** – Identifies the potential tangible and intangible benefits for each alternative.

- **Cost Summary** – Provides the implementation costs, operating costs, business process costs, as well as quantifiable benefits for a 10 year period.

- **Risks** – Identifies the major risks for each alternative by risk category:

  - **Governance and Organizational** risk includes the sponsorship, governance committee(s), internal organizational structure, capacity and culture, and the structure and capacity of the supporting organizations.

- **Project management** risks are those arising from the assignment of authority and accountability for the project, and the organization's planning, coordination, and direction of project resources. There are three risks in this area dealing with inadequate project management practices, project status tracking, and software contracts.

- **Functional** risk includes the scope of business requirements and the required technical capacity of network and systems.

- **Stakeholder** risk includes possible inefficiencies and communication issues around involving customers and interested parties in the project.

- **Complexity** risk includes the relative complexity of business and technical requirements, changing business practices, and system implementation.

- **Project resource** risk includes issues related to the availability of technical skills and commitment of both internal and contract personnel for the project.

a. Financials Business Area

The Financials Business Area alternatives can be summarized as follows:

- **Status Quo** – This alternative keeps the current processes and IBIS and ARMS systems that support them.

- **Enhance Current Processes** – This alternative would enhance current business processes enhancing the finance data warehouse, rolling out P-cards countywide, and updating asset management policies. This alternative does not include E-Procurement or document imaging even though IBIS includes that functionality. Rolling out IBIS only enhancements only is not consistent with the overall goal of implementing common business processes county-wide.

- **Business Transformation** – This alternative would implement a single, integrated financial system that supports best practices.

(1) Feature Comparison

Exhibit III-55 compares significant features of each alternative for the Financials Business Area.

Exhibit III-55: Financials - Alternative Feature Comparison

Feature	Alternative 1	Alternative 2	Alternative 3
Information Flow	• Duplicate information flow. • Manual processes. • Paper forms.	• Duplicate information flow. • Manual processes. • Paper forms.	• Vendor supported integration. • Electronic Workflow.
System Features	• Retain duplicate systems and reporting processes.	• Duplicate systems. • Data warehouse and reporting tools for combining ARMS and IBIS financial data.	• Single financial system integrated with budget, human resources, and payroll. • Online entry and edits with real-time posting. • Robust query and reporting tools. • Integrated workflow, document imaging, and electronic catalogs.
Roles/ Responsibility/ Authority	• No change.	• Increased user responsibility for determining information needs and using reporting tools to create reports.	• Countywide use of online catalogues. • Increased user responsibility for determining information needs and using reporting tools to create reports. • Countywide online approval of documents.

Feature	Alternative 1	Alternative 2	Alternative 3
			• Department entry of transactions originating at the department.
			• Centralized processing of purchase order invoices.
			• Countywide use of P-Cards.
			• Increased authority and responsibility to purchase from online catalogues.
			• Increased responsibility for online approval of documents.
			• Shift of purchasing staff from processing POs to negotiating purchase contracts.
Organization Structure	• No change.	• No change.	• A single group responsible for system operations and support.
			• Increased central AP staff to process invoices (shift from data entry role to AP process role).

Feature	Alternative 1	Alternative 2	Alternative 3
			• Elimination of central finance data entry function.
			• Consolidation of two separate FBOD groups currently supporting ARMS Accounts Receivable and IBIS Accounts Receivable and creation of a core competency center composed of functional and technical support staff.

(2) Alignment with Vision and goals

Exhibit III-56 displays the alignment of the Financials Business Area opportunities within each alternative with the county's vision and goals. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the most support for the county's vision and goals and a rating of one indicates it provides the least support. Alternative 3 provides the most support for the county's vision and goals in the finance, purchasing, and inventory management areas because it best supports standard processes, finance and budget reporting, and integrated systems. Vision and Goals scoring details are located in Appendix F.

Exhibit III-56: Financials - County Vision and Goals Alignment

Vision and Goals	Alternative 1	Alternative 2	Alternative 3
General Operational Goals	1.3	2.4	4.8
Technology Specific Goals	1.6	2.3	4.7
Financial Business Goals	2.3	2.8	4.9
Purchasing Business Goals	2.0	2.0	5.0
Average	**1.8**	**2.4**	**4.9**

(3) Financials Business Area Benefits

Exhibit III-57 displays the benefits of the Financials Business Area opportunities within each alternative. Alternative 3 provides the greatest tangible and intangible benefits to the county by allowing the county to implement all of the high payback opportunities in some form (reporting is improved by consolidating data in a single system rather than through enhancing the data warehouse). Alternative 2 provides some benefits through data warehouse improvements, improved asset management policies and some procurement efficiencies through increased use on P-cards.

Exhibit III-57: Financials - Benefits by Alternative

Alternative 1	Alternative 2	Alternative 3
• Users are familiar with the current process.	• Provides financial Reporting Process Costs savings.	• Provides processing efficiencies saving.
	• Provides annual P-Cards Process Savings.	• Provides purchase savings through better procurement information.
	• Reduces number of capital asset records.	• Provides document management savings.
	• Provides more efficient reporting process.	• Provides P-Cards process savings.
	• Provides better visibility of financial status.	• Provides electronic catalogs process savings.
	• Improves financial analysis tools.	• Provides possible E-Procurement purchase cost savings.
	• Provides single source for countywide financial information for reporting.	• Reduces number of capital asset records.
	• Leverages existing reporting environment.	• Integrates financial processes.

Alternative 1	Alternative 2	Alternative 3
		• Eliminates dual systems, some agency systems, and manual processes.
		• Provides full integration with Human Resources, Payroll, and Budget processes.
		• Improves financial analysis tools.
		• Provides real time access to financial data.
		• Allows county to spend more time on strategic decision support activities rather than transaction processing.
		• Provides additional leverage when negotiating contracts provided by better, consolidated purchasing information.
		• Provides more timely and accurate management reports and financial information.
		• Simplifies the audit process.
		• Supports electronic storage of documents, increases security, reduces risks, and facilitates audits.

(4) Financials Business Area Cost Summary

The table below summarizes the costs and quantifiable benefits for each alternative.

- **Implementation Costs**. Implementation Costs are the consolidated costs for implementing the alternative. These costs may include 10-year debt service costs, calculated at 5% of the total implementation costs annually. For alternative 3, these costs include the costs of implementing a countywide human resources/payroll application. Those costs are not included in the human resource section.

- **Incremental Operating Costs**. The incremental costs consist of the estimated Future Operating Costs less the Current Operating Costs. Alternative 2 shows an increase in operating costs to support the data warehouse and P-cards. Alternative 3 shows a decrease in operating costs to support the new financial system. Alternative 3 assumes that Oracle will not be upgraded during the financial system implementation.

- **Total Quantifiable Benefits**. The quantifiable benefits consist of Process Efficiencies plus estimated Other Cost Reductions. Process Efficiencies are calculated by subtracting estimated Future Process Costs from Current Process Costs. Other Cost Reductions represent direct cost savings not associated with process improvement such as purchase cost savings.

- **Net Benefit**. The Net Benefit is determined by subtracting Implementation Costs and Incremental Operating Costs from Total Quantifiable Benefits.

- **Net Present Value**. The Net Benefit is discounted at 6% to determine the Net Present Value. The Net Present Value shows the present value of future cash flows (Total Quantifiable Benefits less Incremental Operating Costs less the Implementation Costs) for each alternative.

- **Savings Rate**. The Savings Rate is a percentage calculated by dividing Process Efficiencies by Current Process Costs.

Exhibit III-58 displays a cost and benefit summary for the implementation of each alternative for the Financials Business Area.

Exhibit III-58: Financials - 10-Year Cost and Benefit Summary

	Alternative 1 ($)	Alternative 2 ($)	Alternative 3 ($)
Implementation Costs			
Implementation Costs	0	2,434,001	43,462,533

	Alternative 1 ($)	Alternative 2 ($)	Alternative 3 ($)
Technology Costs			
Current Level Technology Costs	39,461,289	39,461,289	39,461,289
Future Level Technology Costs	39,461,289	42,597,019	32,834,189
Incremental Technology Costs / (Savings)	*0*	*3,135,730*	*-6,627,101*
Benefits (10 Years)			
Current Level Process Costs	388,941,635	388,941,635	388,941,635
Future Process Costs	388,941,635	380,942,148	305,554,305
Estimated Process Efficiencies	0	7,999,486	83,387,330
Estimated Other Cost Reductions	0	0	6,299,300
Total Quantifiable Benefits	*0*	*7,999,486*	*89,686,630*
Net Benefit	0	2,429,756	52,851,198
Net Present Value	0	1,316,804	27,810,090

(5) Financials Business Area Risks

Exhibit III-59 displays the risks associated with the implementation of each Financials Business Area alternative.

Exhibit III-59: Financials - Implementation Risks

Alternative 1	Alternative 2	Alternative 3
• Systems will no longer meet financial reporting needs.	• Lack of focused, effective project governance.	• Lack of focused, effective project governance.
• Inefficiencies will continue to create redundant work and side systems.	• Insufficient project management expertise.	• Insufficient project management expertise.
• Technical support turnover will make systems difficult to maintain.	• Reluctance to giving up departmental systems.	• Reluctance to change systems.
• Paper documents are not completely secured.	• Time required to load transactions to data warehouse may impact ability to produce timely reports.	• System cost, scope, and schedule management.
	• Paper documents are not completely	• Reluctance to give up departmental systems.
		• Reluctance to "share" budget details.

Alternative 1	Alternative 2	Alternative 3
	secured.	• Reluctance to change business practices to accommodate best practices in the new system.
		• "We have always done it that way" mentality.
		• Resistance to change established policies and procedures from "elected" departments.
		• Ability to address pain and cynicism from failed FSRP implementation.

Exhibit III-60 compares the risks associated with the implementation of each Financials Business Area alternative. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the least risk and a rating of one indicates it provides the most risk.

Exhibit III-60: Financials - Implementation Risk Comparison

Risks	Alternative 1	Alternative 2	Alternative 3
Governance and Organizational	4.0	2.0	1.0
Project Management	4.0	2.0	1.0
Functional	2.0	2.0	4.0
Stakeholder	3.0	3.0	2.0
Complexity	2.0	2.0	2.0
Project Resource	3.0	3.0	3.0
Average	**3.0**	**2.3**	**2.2**

b.   Human Resources Business Area

The Human Resources Business Area alternatives can be summarized as follows:

- **Status Quo** – This alternative keeps the current processes and PeopleSoft and MSA systems that support them. It assumes the current Human Resources Unification Project will continue.

- **Enhance Current Processes** – This alternative would enhance current business processes through implementation of the policies and procedures described in the high payback opportunities. Management, tracking, and oversight would be done manually; systems would not be developed or modified to support the opportunities.

- **Business Transformation** – This alternative would implement a single, integrated human resource system with support for best practices.

(1) Feature Comparison

Exhibit III-61 compares significant features of each alternative for the Human Resources Business Area.

Exhibit III-61: Human Resources - Alternative Feature Comparison

Feature	Alternative 1	Alternative 2	Alternative 3
Information Flow (Summarize from Assessment)	• Duplicate information flow. • Manual processes. • Paper forms.	• Duplicate information flow. • Manual processes. • Paper forms.	• Vendor supported integration. • Electronic workflow. • Self-service portals allow employee access to some information.
System Features	• Duplicate systems and reporting processes. • Supplemental ad hoc Systems.	• Duplicate systems and reporting processes. • Supplemental ad hoc Systems.	• Single human resources/ payroll system integrated with budget, financials, and payroll. • Online entry and edits with real-time posting. • Robust query and reporting tools. • Workflow. • Self service portals. • Reduced supplemental ad hoc systems.

Feature	Alternative 1	Alternative 2	Alternative 3
Roles/ Responsibility/ Authority	• HRD is responsible for setting policies and establishing procedures countywide.	• HRD is responsible for setting policies and establishing procedures countywide.	• HRD is responsible for setting policies and establishing procedures countywide.
	• The Service Delivery Manager (SDM) is a conduit between HRD and departments.	• The Service Delivery Manager (SDM) is a conduit between HRD and departments.	• The Service Delivery Manager (SDM) is a conduit between HRD and departments.
		• Departments are responsible for performance management/ performance appraisals.	• A standing committee is responsible for union contract planning, negotiation, and administration.
		• A standing committee is responsible for union contract planning, negotiation, and administration.	• Mentors are responsible for creating opportunities for mentees.
		• Mentors are responsible for creating opportunities for mentees.	• Departments are responsible for monitoring and evaluating mentorship programs.
		• Departments are responsible for monitoring and evaluating mentorship programs.	• Quality assurance teams define, document, and implement business.
		• Quality assurance teams define, document, and implement	• Increased user responsibility for determining information

Feature	Alternative 1	Alternative 2	Alternative 3
		business processes.	needs and using reporting tools to create reports.
			• Increased responsibility for data entry by end users through self-service.
			• Countywide online approval of documents.
			• Departments are responsible for performance management/ performance appraisals.
Organization Structure	• No change.	• Establish quality assurance work teams.	• Establish quality assurance work teams.
			• A single group responsible for system operations and support.

(2) Alignment with Vision and goals

Exhibit III-62 displays the alignment of the Human Resources Business Area opportunities within each alternative with the county's vision and goals. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the most support for the county's vision and goals and a rating of one indicates it provides the least support. Alternative 3 provides the most support for the county's vision and goals in the human resource area because it best addresses access to information, employee empowerment, and increased effectiveness objectives. Vision and Goals scoring details are located in Appendix F.

Exhibit III-62: Human Resources - County Vision and Goals Alignment

Vision and Goals	Alternative 1	Alternative 2	Alternative 3
General Operational Goals	1.8	2.2	4.8
Technology Specific Goals	1.6	1.6	4.8
Human Resources Goals	1.4	2.0	4.8
Average	**1.6**	**2.0**	**4.8**

(3) Human Resources Business Area Benefits

Exhibit III-63 displays the benefits of the Human Resources Business Area opportunities within each alternative. Alternative 3 provides the greatest tangible and intangible benefits to the county through implementation of all of the human resource high payback opportunities. Alternative 2 provides fewer benefits because process improvements are not supported by an integrated, modern, human resource system.

Exhibit III-63: Human Resources - Benefits by Alternative

Alternative 1	Alternative 2	Alternative 3
• Users are familiar with current process. • Human Resources Unification Project is defining countywide policies and procedures.	• Human Resources Unification Project is defining countywide policies and procedures. • Savings from increased retention. • Savings associated with upgrading employee skills. • Savings due to standardized contracting procedures county-wide. • Succession planning and mentoring reduces employee replacement costs. • Savings due to enforced countywide human resources standards through improved quality assurance.	• Human Resources Unification Project is defining countywide policies and procedures. • Savings from increased retention. • Savings associated with upgrading employee skills. • Savings due to standardized contracting procedures county-wide. • Succession planning and mentoring reduces employee replacement costs. • Savings due to enforced countywide human resources standards through improved quality assurance

Alternative 1	Alternative 2	Alternative 3
	• Improved employee retention and morale.	• Improved employee retention and morale.
	• Improved communication of expectations associated with job performance.	• Improved communication of expectations associated with job performance.
	• Increased employee accountability.	• Increased employee accountability.
	• Consistent contract language reduces chances of misinterpretation, grievances, and litigation.	• Consistent contract language reduces chances of misinterpretation, grievances, and litigation.
	• Improved succession planning and mentoring reduces costs to fill vacant positions.	• Improved succession planning and mentoring reduces costs to fill vacant positions.
		• Integrated business processes.
		• Elimination of dual systems and associated dual processes.
		• Reduction in supplemental ad hoc systems and associated processes.
		• Full integration with Human Resources, Payroll, and Budget processes.
		• Improved reporting and monitoring tools.
		• Real time access to human resource data.
		• Employee self-service reduces cost and increases transaction accuracy.

(4) Human Resources Business Area Cost Summary

The table below summarizes the costs and quantifiable benefits for each alternative.

- **Implementation Costs**. Implementation Costs are the consolidated costs for implementing the alternative. These costs may include 10-year debt service costs, calculated at 5% of the total implementation costs annually. For alternative 3, these costs do not include the costs of implementing a countywide human resources/payroll application. Those costs are included in the payroll section.

- **Incremental Operating Costs**. The incremental costs consist of the estimated Future Operating Costs less the Current Operating Costs.

- **Total Quantifiable Benefits**. The quantifiable benefits consist of Process Efficiencies plus estimated Other Cost Reductions. Process Efficiencies are calculated by subtracting estimated Future Process Costs from Current Process Costs. Other Cost Reductions represent direct cost savings not associated with process improvement such as purchase cost savings.

- **Net Benefit**. The Net Benefit is determined by subtracting Implementation Costs and Incremental Operating Costs from Total Quantifiable Benefits.

- **Net Present Value**. The Net Benefit is discounted at 6% to determine the Net Present Value. The Net Present Value shows the present value of future cash flows (Total Quantifiable Benefits less Incremental Operating Costs less the Implementation Costs) for each alternative.

- **Savings Rate**. The Savings Rate is a percentage calculated by dividing Process Efficiencies by Current Process Costs.

Exhibit III-64 displays a cost and benefit summary for the implementation of each alternative for the Human Resources Business Area.

Exhibit III-64: Human Resources - 10-Year Cost and Benefit Summary

	Alternative 1	Alternative 2	Alternative 3
Implementation Costs			
Implementation Costs	0	1,640,250	1,640,250
Operating Costs (10 years)			
Current Level Operating Costs	$17,146,988	$17,146,988	17,146,988
Alternative (future) Operating Costs	$17,146,988	41,993,679	41,993,679
Incremental Operating Costs / (Savings)	*0*	*24,846,691*	*24,846,691*
Benefits (10 years)			
Current Level Process Costs	$341,569,778	341,569,778	341,569,778
Future Process Costs	$341,569,778	160,051,260	128,574,407
Estimated Process Efficiencies	0	181,518,518	212,995,371
Estimated Other Cost Reductions	0	0	0
Total Quantifiable Benefits	*0*	*181,518,518*	*212,995,371*
Net Benefit (10 years)	0	155,031,577	186,508,430
Accumulated 10 Year Net Benefit (NPV)	$0	$117,774,475	$141,763,900

(5) Human Resources Business Area Risks

Exhibit III-65 displays the risks associated with the implementation of each Human Resources Business Area alternative.

Exhibit III-65: Human Resources - Implementation Risks

Alternative 1	Alternative 2	Alternative 3
• Inefficiencies will continue to create redundant work and side systems. • Loss of knowledge and experience due to retirement and turnover.	• Ability to change county culture to support performance management and appraisal initiatives. • Ability to change union contracts to support recommended changes. • Employee resistance to recommended changes. • Increase in employee grievances related to performance measures.	• Reluctance to change systems. • System cost, scope, and schedule management. • Reluctance to change business practices to accommodate best practices in the new system. • Reluctance for employees to move to self-service model.

Alternative 1	Alternative 2	Alternative 3
	• Ability to create a culture that encourages participation without fear of retribution.	• Security of confidential employee information.
	• Ability to change county culture to support performance management and appraisal initiatives.	• Employee resistance to recommended changes.
	• Ability to change union contracts to support recommended changes.	• Increase in employee grievances related to performance measures.
	• Employee resistance to recommended changes.	• Ability to create a culture that encourages participation without fear of retribution.
	• Increase in employee grievances related to performance measures.	
	• Ability to create a culture that encourages participation without fear of retribution.	

Exhibit III-66 compares the risks associated with the implementation of each Human Resource business area alternative. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the least risk and a rating of one indicates it provides the most risk.

Exhibit III-66: Human Resources - Implementation Risk Comparison

Risks	Alternative 1	Alternative 2	Alternative 3
Governance and Organizational	1.0	2.0	2.0
Project Management	4.0	2.0	2.0
Functional	3.0	2.0	4.0
Stakeholder	1.0	2.0	3.0
Complexity	3.0	1.0	2.0
Project Resource	3.0	3.0	3.0
Average	**2.5**	**2.0**	**2.7**

c.   **Payroll Business Area**

The Budget Business Area alternatives are summarized as follows:

- **Status Quo** – This alternative keeps the current processes and PeopleSoft and MSA systems that support them.

- **Enhance Current Processes** – This alternative does not change the status quo. There are no payroll improvements with this alternative.

- **Business Transformation** – This alternative would implement a single, integrated payroll system with support for best practices.

(1)   Feature Comparison

Exhibit III-67 compares significant features of each alternative for the Budget Business Area.

Exhibit III-67: Payroll - Alternative Feature Comparison

Feature	Alternative 1	Alternative 2	Alternative 3
Information Flow	• Duplicate information flow.	• Duplicate information flow.	• Vendor supported integration.
	• Manual processes.	• Manual processes.	• Electronic workflow.
	• Paper forms.	• Paper forms.	• Self-service portals allow employee access to some information.

Feature	Alternative 1	Alternative 2	Alternative 3
System Features	• Duplicate systems and reporting processes. • Supplemental ad hoc systems.	• Duplicate systems and reporting processes. • Supplemental ad hoc systems.	• Single payroll system integrated with budget, financials, and human resources. • Online entry and edits with real time posting. • Robust query and reporting tools. • Workflow. • Self-service portals.
Roles/ Responsibility/ Authority	• ITS and Payroll operations has primary responsibility for data entry into MSA. • Department payroll/ personnel employees maintain employee records. • Department payroll/ personnel employees respond to information requests.	• ITS and Payroll operations has primary responsibility for data entry into MSA. • Department payroll/ personnel employees maintain employee records. • Department payroll/ personnel employees respond to information requests.	• Departments have primary responsibility for data entry. • Increased responsibility for data entry and data access by end users through self-service.
Organization Structure	• Separate groups support each payroll system. • ITS data entry keys MSA transactions.	• Separate groups support each payroll system. • ITS data entry keys MSA transactions.	• ERP Core Competency Center supports a single application. • Departments responsible for data entry.

Feature	Alternative 1	Alternative 2	Alternative 3
	• Payroll operations performs error correction. • ITS maintains and operates technical infrastructure for MSA correction.	• Payroll operations perform error correction. • ITS maintains and operates technical infrastructure for MSA correction.	• ITS technical infrastructure and organizations not required to support MSA system.

(2) Alignment with Vision and goals

Exhibit III-68 displays the alignment of the Budget Business Area opportunities within each alternative with the county's vision and goals. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the most support for the county's vision and goals and a rating of one indicates it provides the least support. Alternative 3 provides the most support for the county's vision and goals in the payroll area because it best addresses access to single payroll system, information access, and compliance objectives. Vision and Goals scoring details are located in Appendix F.

Exhibit III-68: Payroll - County Vision and Goals Alignment

Vision and Goals	Alternative 1	Alternative 2	Alternative 3
General Operational	1.2	1.2	4.9
Technology Specific	1.6	1.6	4.8
Payroll Business	1.9	1.9	4.7
Average	**1.6**	**1.6**	**4.8**

(3) Payroll Business Area Benefits

Exhibit III-69 displays the benefits of the Budget Business Area opportunities within each alternative. Alternative 3 provides the greatest tangible and intangible benefits to the county by implementing a single payroll system, standard business processes, and vendor supported best practices.

Exhibit III-69: Payroll - Benefits by Alternative

Alternative 1	Alternative 2	Alternative 3
• Users are familiar with the current process. • Supports timely production of accurate paychecks.	• Users are familiar with the current process. • Supports timely production of accurate paychecks	• Provides payroll processing efficiency savings of $3.19 million annually. • Reduces payroll processing costs per employee, reporting costs, and customer service costs. • Supports timely production of accurate paychecks. • Automates manual payroll processes. • Eliminates dual systems and dual data entry. • Reduces reliance on supplemental ad hoc systems. • Integrates fully with Human Resources, Finance, and Budget processes. • Improves reporting and monitoring tools. • Improves customer and employee satisfaction. • Improves data access and availability. • Provides ability to quickly apply changes and implement collective bargaining agreements through application parameters. • Provides self-service capabilities for employees and management

(4) Payroll Business Area Cost Summary

The table below summarizes the costs and quantifiable benefits for each alternative.

- **Implementation Costs**. Implementation Costs are the consolidated costs for implementing the alternative. These costs may include 10-year debt service costs, calculated at 5% of the total implementation costs annually. For alternative 3, these costs include the costs of implementing a countywide human resources/payroll application. Those costs are not included in the human resource section.

- **Incremental Operating Costs**. The incremental costs consist of the estimated Future Operating Costs less the Current Operating Costs.

- **Total Quantifiable Benefits**. The quantifiable benefits consist of Process Efficiencies plus estimated Other Cost Reductions. Process Efficiencies are calculated by subtracting estimated Future Process Costs from Current Process Costs. Other Cost Reductions represent direct cost savings not associated with process improvement such as purchase cost savings.

- **Net Benefit**. The Net Benefit is determined by subtracting Implementation Costs and Incremental Operating Costs from Total Quantifiable Benefits.

- **Net Present Value**. The Net Benefit is discounted at 6% to determine the Net Present Value. The Net Present Value shows the present value of future cash flows (Total Quantifiable Benefits less Incremental Operating Costs less the Implementation Costs) for each alternative.

- **Savings Rate**. The Savings Rate is a percentage calculated by dividing Process Efficiencies by Current Process Costs.

Exhibit III-70 displays a cost and benefit summary for the implementation of each alternative for the Budget Business Area.

Exhibit III-70: Payroll - 10-Year Cost and Benefit Summary

	Alternative 1	Alternative 2	Alternative 3
Implementation Costs			
Implementation Costs	0	0	18,785,853
Operating Costs (10 years)			
Current Level Operating Costs	13,270,909	13,270,909	13,270,909
Alternative (future) Operating Costs	13,270,909	13,270,909	22,175,956
Incremental Operating Costs/(Savings)	*0*	*0*	*8,905,047*

	Alternative 1	Alternative 2	Alternative 3
Benefits (10 years)			
Current Level Process Costs	117,041,403	117,041,403	117,041,403
Future Process Costs	117,041,403	117,041,403	76,889,116
Estimated Process Efficiencies	0	0	40,152,287
Estimated Other Cost Reductions	0	0	0
Total Quantifiable Benefits	*0*	*0*	*40,152,287*
Net Benefit (10 years)	**0**	**0**	**12,461,387**
Accumulated 10 Year Net Benefit (NPV)	**$0**	**$0**	**$6,502,214**

(5) Payroll Business Area Risks

Exhibit III-71 displays the risks associated with the implementation of each Budget Business Area alternative.

Exhibit III-71: Payroll- Implementation Risks

Alternative 1	Alternative 2	Alternative 3
• Systems will no longer meet financial reporting needs.	• Lack of focused, effective project governance.	• Lack of focused, effective project governance.
• Inefficiencies will continue to create redundant work and side systems.	• Insufficient project management expertise.	• Insufficient project management expertise.
• Technical support turnover will make systems difficult to maintain.	• Systems will no longer meet financial reporting needs.	• Employee resistance to change to biweekly pay cycle.
• Exposure to litigation due to lack of timely and accurate information.	• Inefficiencies will continue to create redundant work and side systems.	• Stakeholder resistance to funding lag introduced by change to biweekly pay cycle.
	• Technical support turnover will make systems difficult to maintain.	• Resistance to changing established policies and procedures from "elected" departments.
	• Exposure to litigation due to lack of timely and accurate information.	

Alternative 1	Alternative 2	Alternative 3
• Program modifications may result in system failure.	• Program modifications may result in system failure.	• Ability to address pain and cynicism from failed FSRP implementation. • Ability to manage technology and business process change necessary for successful implementation.

Exhibit III-72 compares the risks associated with the implementation of each Budget Business Area alternative. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the least risk and a rating of one indicates it provides the most risk.

Exhibit III-72: Payroll - Implementation Risk Comparison

Risks	Alternative 1	Alternative 2	Alternative 3
Governance and Organizational	2.0	3.0	1.0
Project Management	4.0	4.0	1.0
Functional	1.0	3.0	4.0
Stakeholder	2.0	3.0	2.0
Complexity	1.0	3.0	3.0
Project Resource	3.0	3.0	4.0
Average	**2.2**	**3.2**	**2.5**

d. Budget Business Area

The Budget Business Area alternatives can be summarized as follows:

- **Status Quo** – This alternative keeps the current processes and M-base and Essbase systems that support them.

- **Enhance Current Processes** – This alternative would enhance current business processes through implementation of activity based costing. Departments would be given access to the system for entering budget information.

- **Business Transformation** – This alternative would implement a robust budget system to support all budget business processes, activity based costing, and performance management. Budget information would be integrated with finance, payroll, and human resources.

(1) Feature Comparison

Exhibit III-73 compares significant features of each alternative for the Budget Business Area.

Exhibit III-73: Budget - Alternative Feature Comparison

Feature	Alternative 1	Alternative 2	Alternative 3
Information Flow	• Systems that are not integrated. • Extensive use of paper documents and spreadsheets.	• Departments update Essbase. • ABC process uses converted budget and financial data.	• Departments input budget request. • Access to integrated budget, financial, human resources, and payroll data to perform analysis. • ABC is integrated with budget and financial reporting processes. • Performance measures are integrated with budget and financial information.

Feature	Alternative 1	Alternative 2	Alternative 3
System Features	• Essbase provides analytical capability for the Operating Budget. • CIP process not addressed.	• A data warehouse integrates M-Base and Essbase data. • Link budget to financial, human resources, and payroll data.	• Single budget system will support both operating and capital budgets. • Online access to update budget versions. • "What if" and mass change capabilities for budget analysis. • Version control though robust security. • Common classification structures shared with finance, human resources, and payroll. • Robust project planning and management. • Asset preservation integrated with capital assets and budget process.
Roles/ Responsibility/ Authority	• No change.	• Increased department responsibility for entering budget request. • Departments review impact of budget scenarios.	• Departments responsible for entering budget request. • Focus on analysis for prioritization of programs and activities.
Organization Structure	• No change.	• No change.	• No change.

(2) Alignment with Vision and goals

Exhibit III-74 displays the alignment of the Budget Business Area opportunities within each alternative with the county's vision and goals. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the most support for the county's vision and goals and a rating of one indicates it provides the least support. Alternative 3 provides the most support for the county's vision and goals in the budget area because it best addresses budget functionality, integration, and reporting objectives. Vision and Goals scoring details are located in Appendix F.

Exhibit III-74: Budget - County Vision and Goals Alignment

Vision and Goals	Alternative 1	Alternative 2	Alternative 3
General Operational Goals	1.5	2.9	4.9
Technology Specific Goals	1.3	2.3	4.9
Budget Preparation Business Goals	1.0	2.6	5.0
Average	**1.3**	**2.6**	**4.9**

(3) Budget Business Area Benefits

Exhibit III-75 displays the benefits of the Budget Business Area opportunities within each alternative. Alternative 3 provides the greatest tangible and intangible benefits to the county by allowing the county to implement all of the high payback opportunities. Alternative 2 provides some benefits through implementation of activity based costing (ABC) and reporting improvements.

Exhibit III-75: Budget - Benefits by Alternative

Alternative 1	Alternative 2	Alternative 3
• Users are familiar with the current process.	• Annual reduction of the county's operating budget from implementing activity-based costing (ABC). • More efficient budget process.	• Processing efficiency savings. • Annual reduction of the county's operating budget from implementing activity-based costing (ABC).

Alternative 1	Alternative 2	Alternative 3
	• Reduction of departmental budget systems and spreadsheets.	• Annual savings of the county's operating budget from implementing performance measures.
	• Better visibility of budget status.	• Asset Preservation Savings.
	• Improved budget analysis tools.	• CIP Project Savings.
	• Better status on capital budget and expenditures.	• Integrated budget process.
		• Elimination of duplicate data entry and departmental budget systems and spreadsheets.
		• Better visibility of budget status.
		• Improved budget analysis tools.
		• Fully integrated capital project budgeting, scheduling, and tracking tools.
		• More time for budget analysis and policy decision-making
		• Reduction in paperwork
		• Increased standardization

(4) Budget Business Area Cost Summary

The table below summarizes the costs and quantifiable benefits for each alternative.

- **Implementation Costs**. Implementation Costs are the consolidated costs for implementing the alternative. These costs may include 10-year debt service costs, calculated at 5% of the total implementation costs annually. For alternative 3, these costs include the costs of implementing a countywide human resources/payroll application. Those costs are not included in the human resource section.

- **Incremental Operating Costs**. The incremental costs consist of the estimated Future Operating Costs less the Current Operating Costs. Alternative 2 shows an increase in operating costs to support the data warehouse. Alternative 3 shows an increase in operating costs to support the new budget system, activity based costing, and capital planning and monitoring.

- **Total Quantifiable Benefits**. The quantifiable benefits consist of Process Efficiencies plus estimated Other Cost Reductions. Process Efficiencies are calculated by subtracting estimated Future Process Costs from Current Process Costs. Other Cost Reductions represent direct cost savings not associated with process improvement such as purchase cost savings.

- **Net Benefit**. The Net Benefit is determined by subtracting Implementation Costs and Incremental Operating Costs from Total Quantifiable Benefits.

- **Net Present Value**. The Net Benefit is discounted at 6% to determine the Net Present Value. The Net Present Value shows the present value of future cash flows (Total Quantifiable Benefits less Incremental Operating Costs less the Implementation Costs) for each alternative.

- **Savings Rate**. The Savings Rate is a percentage calculated by dividing Process Efficiencies by Current Process Costs.

Exhibit III-76 displays a cost and benefit summary for the implementation of each alternative for the Budget Business Area.

Exhibit III-76: Budget - 10-Year Cost and Benefit Summary

	Alternative 1	Alternative 2	Alternative 3
Implementation Costs			
Implementation Costs	**$0**	**$1,566,900**	**$7,613,280**
Operating Costs			
Current Operating Costs	2,694,224	2,694,224	2,694,224
Future Operating Costs	2,694,224	5,391,490	10,038,795
Incremental Operating Costs	**0**	**2,697,266**	**7,344,572**
Benefits			
Current Process Costs	140,324,572	140,324,572	140,324,572
Future Process Costs	140,324,572	140,324,572	140,324,572
Process Efficiencies	0	0	0
Other Cost Reductions	0	0	0
Total Quantifiable Benefits	**0**	**0**	**0**

	Alternative 1	Alternative 2	Alternative 3
Net Benefit	**$0**	**-4,264,166**	**-14,957,852**
Net Present Value	**$0**	**($3,373,781)**	**($12,190,604)**

(5) Budget Business Area Risks

Exhibit III-77 displays the risks associated with the implementation of each Budget Business Area alternatives.

Exhibit III-77: Budget - Implementation Risks

Alternative 1	Alternative 2	Alternative 3
• Minimal	• Reluctance to giving up departmental systems. • Reluctance to "share" budget details.	• Reluctance to change systems. • System cost, scope, and schedule management. • Reluctance to giving up departmental systems. • Reluctance to "share" budget details.

Exhibit III-78 compares the risks associated with the implementation of each Budget Business Area alternative. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the least risk and a rating of one indicates it provides the most risk.

Exhibit III-78: Budget - Implementation Risk Comparison

Risks	Alternative 1	Alternative 2	Alternative 3
Governance and Organizational	4.0	2.0	1.0
Project Management	4.0	2.0	1.0
Functional	2.0	2.0	4.0
Stakeholder	2.0	3.0	2.0
Complexity	4.0	3.0	2.0
Project Resource	4.0	4.0	3.0
Average	**3.3**	**2.6**	**2.2**

3. Integrated Business Process Model

The alternatives address integration in different ways.

- **Status Quo** - This alternative keeps the current processes and systems that support them. No significant additional investment will be made to improve the business processes or the systems.

- **Enhance Current Practices** - This alternative will enhance current business processes without replacing the current systems. Only minimal enhancements will be made to the current systems to improve integration, provide new reporting capabilities, and improve access to data. Changes to business process will focus on those that are not system dependent or that can be implemented with minimal system enhancements.

- **Business Transformation** - This alternative will fully implement the high payback opportunities using industry best practices. It assumes all county employees will be migrated to the PeopleSoft human resources/payroll system. Initially it was assumed a new financial system would be purchased and implemented for all departments using one of the major ERP applications. As we developed the recommendation, we modified this assumption to recommend that Oracle be implemented countywide. This alternative also presumes implementation of a single countywide budget system that is fully integrated with the Financials, Human Resources, and Payroll processes. Oracle could also be the basis for this business area.

a. Information Flow

The three alternatives have distinctly different information flows. Alternative 1 is lacking adequate integration in most areas; where automated integration exists it is often complicated by duplicate systems and/or complex, poorly understood interfaces. Departments complete paper forms to initiate transaction processing and there is extensive use of paper documents, spreadsheets, and supplemental ad hoc systems to meet the county's most basic needs. Exhibit III-79 illustrates the current environment.

Exhibit III-79: Alternative 1 - Current Information Flow

Adopted Public Health Budget

Adopted Budget

Essbase

Remittance Processing

Investment System

Agency Human Resource Systems

Other Receipts

Agency Project Management Systems

Budget Requests

Summarize Synchronize

Tax Receipts

AIRS Payments

AIRS Accounts Receivable

Investment Activity

Summary A/R

Agency Budget Systems
- PH Mainframe
- Spreadsheets
- Access

M-base

Property Tax

Property Tax Receipts

Summarize Synchronize

ARMS Agency Timekeeping

Labor Distribution

Agency Report

CIP Request

Adopted Operating Budget

MSA Payroll

Payroll Transactions

Labor & Benefits

PeopleSoft Timesheet

CIP-Base

Agency A/R Systems

Summary AR

Time Entry

PeopleSoft HR/Payroll

Adopted CIP Budget

Warrants Issued

Agency Inventory / MMS (IBIS)

POST LABOR AND BENEFIT COSTS

IBIS
- General Ledger
- Accounts Payable
- Warrant Reconciliation (IBIS Only)
- Purchasing
- Accounts Receivable
- Order Entry
- Mass Allocation (Labor Distribution)
- Project / Grant Accounting
- Inventory

Warrants Issued

Adopted CIP Budget

ARMS
- General Ledger
- Revenue
- Expenditure Accounting
- Encumbrance Accounting
- Project / Grant Accounting
- Work Authorization Billing

ARMS STANDARD REPORTS

Property Tax Refunds

Cash Balances

IBIS Invoice

Inventory Updates

Payment Request

ADPICS Purchasing

Encumbrance Transaction

ACCOUNTS PAYABLE

Encumbrances Expenditures Payments

Grant Activity

EXTRACT FINANCIAL DATA

IBIS Asset Activity

Approved payment Request

ARMS PURCHASE ORDER

Payment Request

Prepare Financial Reports

IBIS Standard Reports

Vendor Invoice

Agency A/P Systems
- Elections
- Fair
- Vet payments

Agency Grant management Systems & Spreadsheets

Download Report Data

Business Objects Reporting

Invoice Approval (3-Way Match)

Receiving Tickets

Internet Reporting

Financial Reports

IVIS Fixed Assets

Warrant Reconciliation

Agency Inventory / MMS (ARMS)

Inventory

Warrants Issued

ARMS Asset Purchases

Grant Activity

Download Report Data

Alternative 1.vsd

Alternative 2 provides somewhat better integration through a data warehouse. Reporting processes are simplified by having a single source for financial and budget data. This alternative does not address integration issues related to non-reporting business processes. It retains most of the county's inefficient business processes. It continues the use of paper forms, manual processes, and supplemental ad hoc systems. Budget information flow is somewhat improved by allowing departments to enter data directly into the budget system. Human Resource information flow is further complicated as the human resources opportunities will be implemented without systems to support these processes. Exhibit III-80 illustrates the enhanced current processes environment.

Exhibit III-80: Alternative 2 - Information Flow
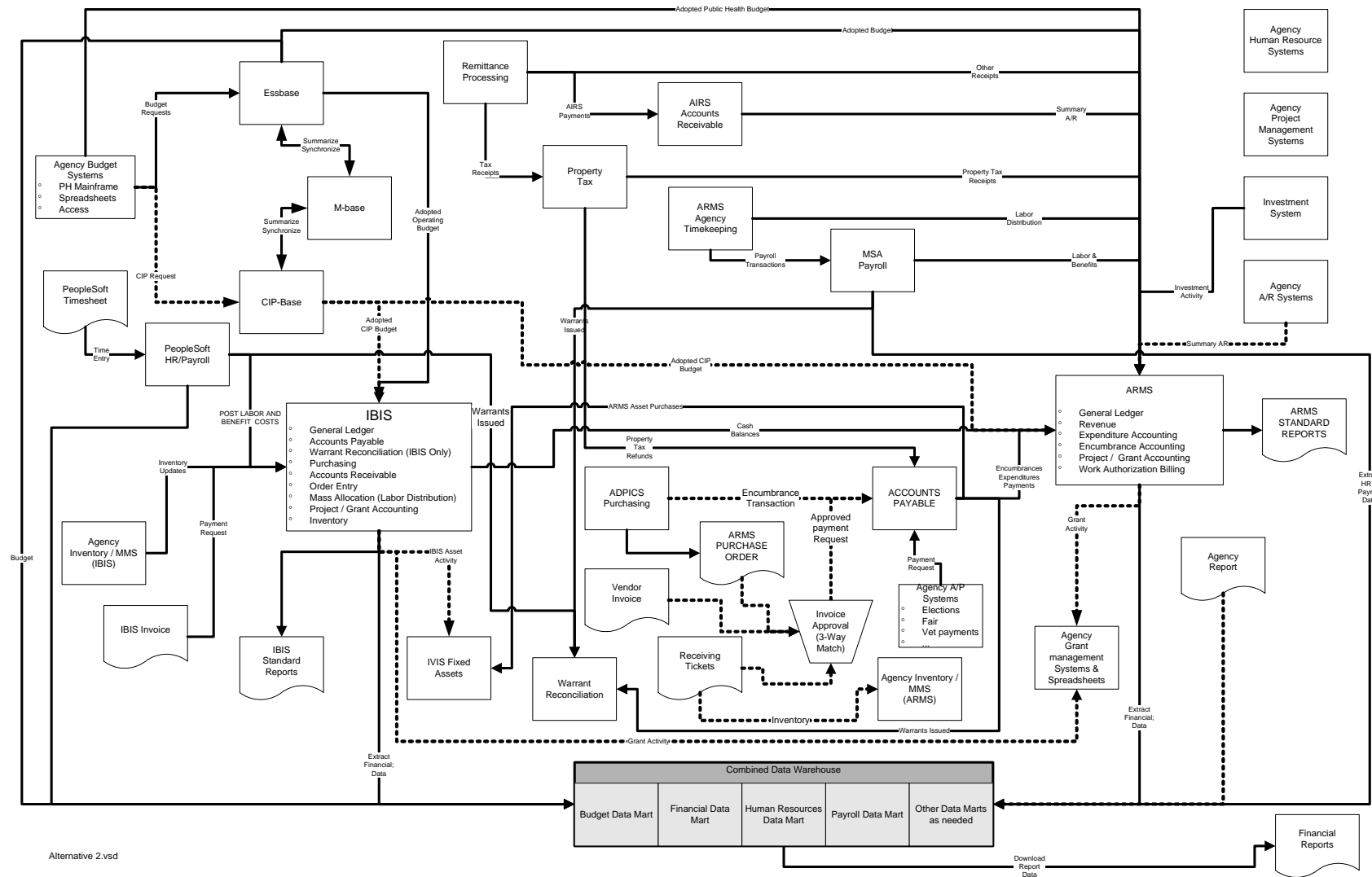
Alternative 2.vsd

Alternative 3 provides vendor supported integration for county business processes. Departments directly input information in the system eliminating the need for paper forms and keyed data entry. Workflow replaces cumbersome paper routing procedures. New applications would be deployed to improve access to financial, human resources, payroll, and budget data, eliminating the need for most supplemental ad hoc systems. Exhibit III-81 illustrates the enhanced current processes environment. The exhibit illustrates the integration between Oracle and PeopleSoft. We recommend that county adapt the hub-and-spoke integration approach for county-wide and agency mission critical applications that are not included in the core Oracle or PeopleSoft applications.

Exhibit III-81: Alternative 3 - Information Flow
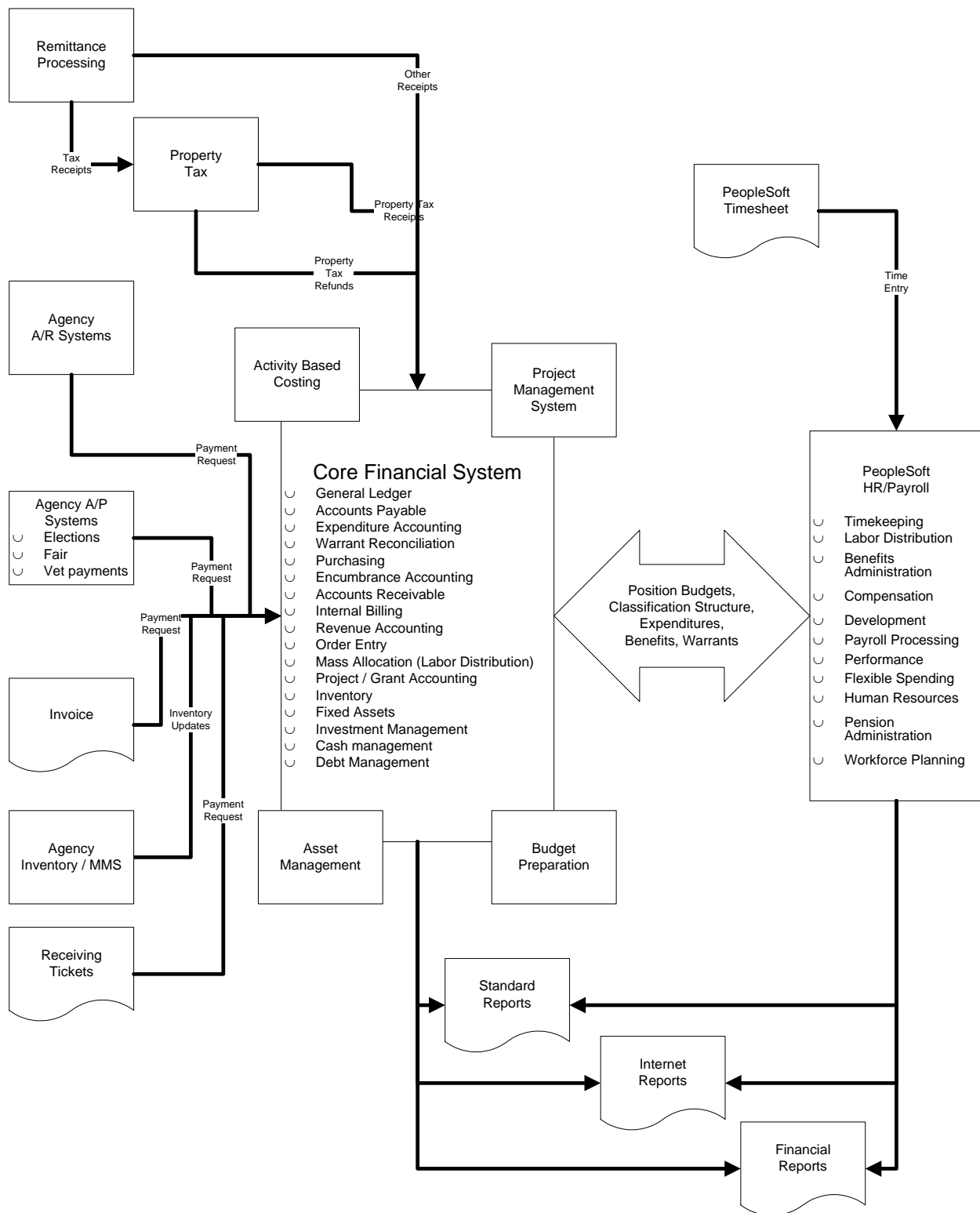
Alternative 3.vsd

b. **Roles/Responsibility/Authority**

In the current environment, departments are able to initiate and authorize many transactions; however, transaction processing is primarily done centrally resulting in extra work for all. Alternatives 2 and 3 shift some responsibility for transaction processing and reporting to departments. Alternative 2 allows departments to enter budget transactions and to generate reports using the data warehouse. Alternative 3 will result in the greatest changes in roles, responsibility and authority. Departments become more responsible for transaction processing. Departments have more responsibility and authority for purchasing through P-Cards and E-Procurement. In both Alternatives 2 and 3, HRD has additional responsibility for implementing and managing the high payback opportunities.

c. **Organization Structure**

None of the alternatives require dramatic organizational structure changes. Alternative 2 adds quality assurance teams to support the human resources high payback opportunities. Alternative 3 moves to a competency center model for systems support. Application support is provided by a group of technical and functional experts who are part of the finance organization structure. Centralizing support in the finance organization helps to keep the business focus on the ERP application. Additionally, centralizing the Accounts Payable function will require additional staff.

d. **Alignment with Vision and Goals**

Exhibit III-82 displays alternative alignment with the county's vision and goals. Alternatives were scored on a one to five scale. A rating of five indicates the alternative provides the most support for the county's vision and goals and a rating of one indicates it provides the least support. Alternative 3 provides the most support for the county's vision and goals in the budget area because it best addresses budget functionality, integration, and reporting objectives. Vision and Goals scoring details are located in Appendix F.

Exhibit III-82: County Vision and Goals Alignment

Vision and Goals	Alternative 1	Alternative 2	Alternative 3
General Operational	1.4	2.1	2.8
Technology Specific	1.5	1.9	4.8
Financial Accounting	2.3	2.8	4.9
Purchasing/Inventory Management	2.0	2.0	5.0
Human Resource Management	1.0	1.0	4.8
Payroll	1.9	1.9	4.7
Budget Preparation	1.0	2.4	5.0
Average	**1.6**	**2.0**	**4.6**

e.   Integration Cost Summary

Exhibit III-83 presents a summary of the costs for each alternative. These costs are preliminary and will be refined for the final report. Alternative 3 has the highest net benefit and also the most opportunities for reducing business process costs.

Exhibit III-83: 10-Year Cost and Benefit Summary

	Alternative 1	Alternative 2	Alternative 3
Implementation Costs			
Budget Implementation Costs	0	1,566,900	7,613,280
Finance Implementation Costs	0	2,434,001	43,462,533
HR Implementation Costs	0	1,640,250	1,640,250
Payroll Implementation Costs	0	0	18,785,853
Total Implementation Costs	**0**	**5,641,151**	**71,501,916**
Operating Costs (10 years)			
Budget Current Level Operating Costs	2,694,224	2,694,224	2,694,224
Finance Current Level Operating Costs	39,461,289	39,461,289	39,461,289
HR Current Level Operating Costs	17,146,988	17,146,988	17,146,988
Payroll Current Level Operating Costs	13,270,909	13,270,909	13,270,909
Total Current Level Operating Costs	**72,573,410**	**72,573,410**	**72,573,410**
Budget Future Operating Costs	2,694,224	5,391,490	10,038,795
Finance Future Operating Costs	39,461,289	42,597,019	32,834,189
HR Future Operating Costs	17,146,988	41,993,679	41,993,679
Payroll Future Operating Costs	13,270,909	13,270,909	22,175,956
Total Future Operating Costs	**72,573,410**	**103,253,097**	**107,042,619**
Incremental Operating Costs / (Savings)	**0**	**30,679,687**	**34,469,209**

	Alternative 1	Alternative 2	Alternative 3
Benefits (10 years)			
Budget Current Level Process Costs	140,324,572	140,324,572	140,324,572
Finance Current Level Process Costs	388,941,635	388,941,635	388,941,635
HR Current Level Process Costs	341,569,778	341,569,778	341,569,778
Payroll Current Level Process Costs	117,041,403	117,041,403	117,041,403
Total Current Level Process Costs	**987,877,387**	**987,877,387**	**987,877,387**
Budget Future Process Costs	140,324,572	140,324,572	140,324,572
Finance Future Process Costs	388,941,635	380,942,148	305,554,305
HR Future Process Costs	341,569,778	160,051,260	128,574,407
Payroll Future Process Costs	117,041,403	117,041,403	76,889,116
Total Future Process Costs	**987,877,387**	**798,359,383**	**651,342,400**
Budget Estimated Process Efficiencies	0	0	0
Finance Estimated Process Efficiencies	0	7,999,486	83,387,330
HR Estimated Process Efficiencies	0	181,518,518	212,995,371
Payroll Estimated Process Efficiencies	0	0	40,152,287
Total Estimated Process Efficiencies	**-**	**189,518,004**	**336,534,988**
Budget Estimated Other Cost Reductions	0	0	0
Finance Estimated Other Cost Reductions	0	0	6,299,300
HR Estimated Other Cost Reductions	0	0	0
Payroll Estimated Other Cost Reductions	0	0	0
Total Estimated Other Cost Reductions	**-**	**-**	**6,299,300**
Total Quantifiable Benefits	**0**	**189,518,004**	**342,834,288**
Net Benefit (10 years)	**0**	**153,197,166**	**236,863,163**
Accumulated 10 Year Net Benefit (NPV)	**$0**	**$115,717,499**	**$163,885,599**

[1] Does not include costs for migrating to single human resources/payroll system. All migration costs are included in the Budget Business Area implementation costs

f. Risks

Exhibit III-84 presents the average risks for all alternatives.

Exhibit III-84: Risks

Risks	Alternative 1	Alternative 2	Alternative 3
Governance and Organizational	2.8	2.3	1.3
Project Management	4.0	2.5	1.3
Functional	2.0	2.3	4.0
Stakeholder	2.0	2.8	2.3
Complexity	2.5	2.3	2.3
Project Resource	3.3	3.3	3.3
Average	**2.8**	**2.5**	**2.4**

Overall, each of the alternatives have a moderate risk. However, there are high risk aspects of each that should be understood.

Alternative 1 has high risks in the functional and stakeholder areas. By continuing current processes and systems, county personnel will not have the tools and processes for contemporary management. Likewise, there is risk of loss of credibility with internal stakeholders such as the county council and external stakeholders including citizens who expect the county to be efficient and accountable.

Alternative 2 has the same high risks associated with Alternative 1, except for the human resource area where process improvements are introduced. It also has high risk elements including governance where the county needs to develop a focused, effective decision-making process involving key stakeholders. Project management is high risk because the county does not have the expertise to manage a project of this nature.

Alternative 3 addresses the functional risk identified above, however, governance and project management remain high risks. Stakeholder risk is an issue here because of the need to involve stakeholders in a meaningful way.

IV. Recommendation

■

A. Overview

Dye Management Group, Inc. recommends that the county proceed with Alternative 3 – Business Transformation for implementing the new King County Business Operations Model and the supporting technology. This chapter summarizes the recommendation and the reasons for selecting Alternative 3.

The key to a successful transition is a common-sense implementation strategy. We have developed an incremental transition strategy that includes a series of projects each moving the county towards its goal of integrated processes and systems. The incremental approach will allow the county to realize benefits earlier while reducing the risk of a large project. It also gives the county the opportunity to reassess the project progress over time and adjust the overall schedule to accommodate changing priorities or resource constraints.

We further recommend the county implement Oracle countywide in conjunction with an incremental implementation of PeopleSoft for payroll and human resources. An agency-by-agency Oracle rollout has the lowest risks and costs and the greatest potential for realizing tangible benefits. The county already knows how to use, manage, and upgrade Oracle Financials. We do not recommend implementing Oracle as is; instead, the implementation plan includes reconfiguring Oracle to meet the needs of all departments. At a minimum, the fit analysis and reconfiguration process must address encumbrance accounting, labor distribution, fixed asset integration, and budget monitoring.

B. Recommendation for Future Business Model

Our recommendation is based on the alternatives alignment with the county's vision and goals, support for best practices, costs, benefits, and risks.

1. Alignment with King County Vision and Goals

The recommended business model is best aligned with the county's vision and goals. It is the only model that supports the County's vision statement. It is not possible to have fully integrated systems and processes unless the number of supporting systems is dramatically reduced.

"King County's financial, human resource, and budget management functions are fully integrated, efficient and effective, and enhance the county's ability to provide essential services to its customers."
— *King County Vision Statement, April 2003*

Alternative 2, Enhance Current Processes, does not position the county to implement best practices, streamline operations, or significantly improve the county's ability to conduct business. This alternative retains investments in outdated systems and the inefficient processes that have evolved to support them. While some business process efficiencies may be possible in this environment, substantial improvements require the county to invest in implementing modern systems countywide.

2. Alignment with Industry Best Practices

Alternative 3 is the only alternative that supports industry best practices on a countywide basis. Under the status quo and Alternative 2, the IBIS and PeopleSoft agencies will be able to implement vendor supported best practices while the ARMS and MSA agencies will fall further and further behind. Business processes will become more fragmented; the number supplemental ad-hoc applications will increase.

The majority of the best practices that will most benefit the county require an investment in technology. Industry leading finance, payroll, human resource, and budget applications include vendor supported best practices. The software vendor will continue to update the software based on the best practices in the public and private sector. Best practices that would benefit King County include:

- Automating the three way match process and centralizing much of the Accounts Payable functions.

- Creating online purchasing catalogs (E-Procurement).

- Adopting a standard chart of accounts.

- Implementing workflow and document imaging.

- Integrating electronic payments with the financial system.

- Using Activity Based Costing (ABC).

- Instituting succession planning and mentoring programs.

- Switching to online reporting.

- Creating General Ledger drill-down capability.

3. How the Recommendation Positions King County to Successfully Take on an ERP Implementation Project

An incremental implementation greatly reduces risk. Implementing a product that is already known (Oracle Financials and PeopleSoft) further reduces risk. The following key components of the implementation plan position the county for a successful ERP implementation project:

- Addressing governance and cultural change issues.

- Identifying a strong, common sense project manager.

- Establishing a communication plan that addresses the needs of all stakeholders.

- Defining standard business processes for the entire county based on functionality provided by the software.

- Defining activity-based costing and reporting requirements up front, before chart of account design and system configuration.

- Creating a training plan that addresses implementation training, end-user training, Web-based user procedures, and on-going training.

- Adequately funding ongoing system support and upgrades.

C. Summary of Alternatives and Differences

The alternatives considered for this recommendation were the status quo, enhancing current processes, and business transformation.

The status quo alternative keeps the current processes and systems that support them. No investment would be made to improve the business processes or the systems. Over time, this alternative results in more fragmented business processes, continued proliferation of supplemental ad hoc systems, and cumbersome reporting processes.

The second alternative would enhance current business processes without replacing the current systems. Minimal enhancements would be made to the current systems to improve integration, provide new reporting capabilities, and provide more access to the data. Changes to business process would focus on those that are not system dependent or that can be implemented with minimal system enhancements. This alternative addresses integration issues through the reporting process. It does not support standard policies and procedures, as that is just not possible given the extreme functionality differences between ARMS, IBIS, MSA, and PeopleSoft. Human Resource opportunities are implemented without supporting system capabilities most likely resulting in additional ad hoc systems.

The business transformation alternative would fully implement the high payback opportunities using industry best practices. It assumes that the migration to PeopleSoft would be implemented for all county employees and that Oracle would be reconfigured and implemented for all departments. This alternative also presumes implementation of a single countywide budget system that is fully integrated with the financial, human resources, and payroll processes. The implementation project will define best practices for King County using vendor supported solutions.

D. Differences Between the Existing and Recommended Model

King County's existing model for the budget, finance, human resource, and payroll Business Areas is inefficient and fragmented. Supplemental ad hoc systems have been

developed to address shortcomings in the central systems (especially ARMS and MSA). Excessive time is spent dealing with paper forms, re-keying data, and preparing management reports. In this environment, staff is focused on transaction processing activities rather than strategic business objectives. These weaknesses are primarily due to the lack of modern integrated systems and inconsistent business processes. It is not possible to streamline and standardize business processes without substantial technology investments.

The recommended model allows the county to make the business process changes to support its vision and goals. Modern, integrated systems will allow the county to streamline and standardize processes but to due this requires strong sponsorship and governance structure. This model automated and decentralizes the data entry function; departments enter many transactions with online edits and error correction. Some processes, such as accounts payable voucher entry, become more centralized with a single group responsible for entering all vendor invoices. Reporting is enhanced through improved tools and a common data structure and definition.

E. Benefits of the Recommended Model over the Existing Model

The table below summarizes the most significant tangible and intangible benefits of the recommended and existing models.

Existing Model	Recommended Model
• Users are familiar with the current process. • Human Resources Unification Project is defining countywide policies and procedures • Supports timely production of accurate paychecks	• Integrates budget, finance, payroll, and human resource systems and processes. • Eliminates dual systems and duplicate data entry. Reduces supplemental ad hoc systems and associated processes. • Improves budget, finance, payroll and human resource analysis tools. Provides more timely and accurate management reports and financial information. • Finance processing efficiency savings. • Annual savings in payroll processing efficiency. • Annual savings in human resource processing. • Savings in purchase costs through increased leverage from integrated purchasing process and data and E-Procurement. • Saves by reducing the county's operating budget by implementing activity-based costing (ABC) . • Saves by reducing the county's operating budget by implementing performance measures. • Saves annually by implementing Asset Preservation.

Existing Model	Recommended Model
	• Savings in purchase costs through increased leverage from integrated purchasing process and data and E-Procurement.
	• Supports electronic storage of documents increases security, reduces risks, and facilitates audits.
	• Reduces payroll processing costs per employee, reporting costs, and customer service costs
	• Improves employee retention and morale.
	• Improves communication of expectations associated with job performance.
	• Increases employee accountability.
	• Consistent contract language reduces chances of misinterpretation, grievances, and litigation.
	• Improved succession planning and mentoring reduces costs to fill vacant positions.
	• Provides a potential reduction of hardware and support costs if an enterprise server platform can be employed to support the systems.

F. Transition Strategy and Plan

The key to this transition strategy is that it presents an incremental approach to converting agencies to a common financial and human resources/payroll system. The previous vision for implementation was to convert the remaining staff to PeopleSoft followed by the implementation of the new financial system. The approach presented here focuses on transferring a manageable number of agencies and staff to both the financial system and PeopleSoft at the same time. New business processes would be implemented in each agency as the agency is converted.

New business processes and system functionality would also be implemented incrementally throughout the transition. This would include integrating budget, project management, activity based costing, fixed assets, inventory control, and additional human resources processes and functionality.

This plan offers the best balance for realizing benefits early and managing the risk of big projects. It is a proven plan that has been successfully used in other organizations. Although there is a cost associated with incrementally converting agencies, these are offset by eliminating the need to develop temporary bridges between PeopleSoft and the financial system. Once the first agencies are successfully implemented, the conversion process can be repeated and enhanced for the remaining agencies.

1. Implementation Projects

The transition plan assumes that a series of projects will be done to incrementally implement the county's vision. The core of the projects provide for the transition to the new human resources/payroll and financial processes and systems. Additional projects can be done in parallel to these to provide for integration of subsidiary processes and systems such as fixed assets, inventory, project accounting, budget preparation, activity based costing, and the like.

The Human Resources projects are primarily business process oriented with some system support required to optimize the benefits. These projects can also be conducted in parallel to the core transition projects.

The following projects have been defined for the transition:

- **Initial Planning** – This project includes defining the initial scope of the projects and developing an RFP and selecting a vendor to assist in the Preparatory Analysis and System Requirements projects.

- **Process Tasks Required Before Implementation** – This project addresses key decisions that must be made for the county to structure the transition for success. This will set the standard for implementing policy and business processes as the projects proceed. Key issues that should be addressed before proceeding are:

  - Determine Activity Based Costing Strategy.

  - Develop Cost Allocations Plan.

  - Develop Labor Distribution Methodology.

  - Develop Accounting Structure.

  - Determine Payroll Schedule.

  - Identify Areas that Require Resolutions to Labor Agreements.

  - Determine Implementation Strategy.

  Addressing these issues early will allow the requirements definition and implementation projects to proceed with reduced risk. Early decisions on these policy issues will allow contracts for labor agreements, grant reimbursement, and services to cities and other jurisdictions to be negotiated before the affected agencies convert.

  During this project the requirements for the core functionality as well as additional functionality that will be added will be defined. Key areas for which requirements are needed include:

− **Human Resources/Payroll Requirements** – Before proceeding with conversion of the first agencies, human resources/payroll requirements will be developed and the PeopleSoft configuration will be reviewed to determine if changes are needed to address requirements of best practices.

− **Financial Requirements** – Before proceeding with conversion of the first agencies, financial requirements will be developed. The Oracle configuration must be reviewed to determine if changes are needed to address requirements, best practices, and capabilities that Oracle delivered with 11i. Examples of functionality that may need to be reconfigured are the accounting structure, overhead allocation, encumbrance accounting, automated budget carryover, and purchase order carryover..

− **Functional Requirements** – The requirements for each new business process must also be defined. The potential new business processes include: integrated budget, performance measures, asset management, project management, document imaging, and E-Procurement.

In addition, the hardware requirements for implementation of IBIS and PeopleSoft countywide need to be evaluated. This review should include hardware, licensing and support model analysis.

Organizational alignment to provide functional and technical support for the implemented functionality should also be addressed in the project. Defining the make up of the Competency Center and allocating the budget and FTE to implement it in parallel to the agency implementations should be considered.

- **Select Software and System Integrator** – The purpose of this project is to select a system integrator to support the remaining implementation efforts. The project assumes that new accounting software will not be purchased and that a single system integrator that can address both PeopleSoft, and Oracle configuration, best practices and integration will be selected. New software may be purchased to address specific functional requirements such as ABC or asset management if it is determined during the requirements definition that the existing systems cannot meet the need.

- **Perform Phased Agency Implementation** – This is a series of projects to convert a few agencies at a time to Oracle and to PeopleSoft. For planning purposes, we are assuming that the first group of agencies will include updates to the Oracle/PeopleSoft configuration or reimplementation of the current IBIS agencies along with the associated straddle agencies.

We also assume that subsequent agencies can be done in three additional projects, converting them to Oracle at the same time that they convert to PeopleSoft. Issues concerning the agency contracts (labor, grant, and services) should be resolved prior to the scheduled start of that agency's conversion. Major tasks that will be addressed for reach group of agencies include:

- − Define Agency Specific Configuration, where appropriate.

- − Develop Agency Interfaces.

- − Develop Conversions.

- − Conduct Training.

- − Conduct System Test.

- − Conduct Acceptance test.

- − Convert.

- − Provide Post-implementation Support.

Note: As the agencies are selected they should be grouped so as not to fragment the general fund. Consideration should be given to migration of the entire CX to Oracle at the same time to avoid fragmentation of the CX into separate systems.

- **Perform Phased Functional Implementation** – These projects address additional business processes and functionality. These implementations occur in parallel to the shared agency implementations. The assumption is that as the new functionality is implemented, it will be first implemented for agencies that have been converted to the new systems. The priority and sequence of these processes should be determined during the Initial Planning project. The projects include:

  - − Integrated Budget.

  - − Activity Basis Coating and Performance Measures.

  - − P-Card.

  - − E-Procurement.

  - − Document Imaging.

- **Process Changes Possible Before System Implementation** – These projects address those opportunities that are not technology driven. These tasks will achieve maximum benefit with the technology implementation but can achieve substantial benefits before the supporting technology becomes available. These tasks are:

  - − Asset Management Policy.

  - − Capital Planning and Monitoring.

  - − Performance Management (HR).

  - − Union Contracts.

  - − Succession Planning.

  - − Quality Assurance.

- Opportunities not included in the transition strategy – The Enhanced Data Warehouse opportunity is not included in the Transition Strategy. That opportunity was not included in Alternative 3 because it is assumed that the countrywide implement will address those repeating needs.

2. Project Schedule

The attached schedule presents a four-year transition plan. The dates and durations are approximate. They should be reevaluated as the projects proceed and adjusted to address priorities and resource constraints. Exhibit IV-1

Exhibit IV-1: Transition Schedule

King County Quantifiable Business Case
Transition Plan

ID	Task Name	Duration
1	**Initial Planning**	**3 mo**
2	Integrated Financials	3 mo
3	Integrated HR/Payroll	3 mo
4	**Process Tasks Required Before Implementatio**	**12 mo**
5	Integrated Financials	6 mo
6	Integrated HR/Payroll	6 mo
7	P-card	3 mo
8	E-Procurement	6 mo
9	Document Imaging	3 mo
10	Integrated Budget	3 mo
11	Activity Based Costing & Performance Measures	2 mo
12	Capital Planning & Asset Management	4 mo
13	**Select Software & System Integrator**	**7 mo**
14	**Integrated Financials Software Evaluation**	**4 mo**
19	Integrated HR/Payroll	4 mo
20	Integrated Budget	2 mo
21	Activity Based Costing & Performance Measures	2 mo
22	**Perform Phased Agency Implementation**	**30 mo**
23	**Integrated Financials Software Implementation**	**30 mo**
24	Install Software	2 mo
25	Configure System	2 mo
26	Write Countywide Interfaces	6 mo
27	**Implement Agency Group 1**	**8 mo**
28	Define Agency Specific Configuratio	1 mo
29	Develop Agency Interfaces	2 mo
30	Develop Conversions	2 mo
31	Conduct Training	3 mo
32	Conduct System Test	1 mo
33	Conduct Acceptance test	1 mo
34	Convert	1 mo
35	Provide Post-implementation Suppo	2 mo
36	**Implement Agency Group 2**	**8 mo**
45	**Implement Agency Group 3**	**8 mo**
54	**Implement Agency Group 4**	**8 mo**
63	Integrated HR/Payroll	30 mo
64	Succession Planning	6 mo
65	**Perform Phased Functional Implementation**	**32 mo**
66	Integrated Budget	30 mo
67	Activity Based Costing & Performance Measures	24 mo
68	P-card	6 mo
69	E-Procurement	6 mo
70	Document Imaging	3 mo
71	**Process Changes Possible Before System Implementation**	**42 mo**

King County Quantifiable Business Case
Transition Plan

ID	Task Name	Duration
72	Asset Management Policy	1 mo
73	Capital Planning & Monitoring	24 mo
74	Performance Management	12 mo
75	Union Contracts	24 mo
76	Succession Planning	6 mo
77	Mentoring Program	6 mo
78	Quality Assurance	36 mo

3. Implementation/Transition Cost

The summary implementation and transition costs for the four business areas are presented in Exhibit IV-2:

Exhibit IV-2: Summary of Implementation and Operating Costs

Business Area	Implementation Costs	Operating Costs Increase/(Savings)
Budget	$7,613,280	$7,344,572
Finance	$43,462,533	($6,627,101)
HR	$1,640,250	$24,846,691
Payroll	$18,785,853	$8,905,047
Total	$71,501,916	$34,469,209

4. Assumptions

Key transition plan assumptions include:

- PeopleSoft will be retained as the human resources/payroll solution.

- Oracle will be the financial solution.

- A system integrator will be selected to manage and staff the transition projects. Because the end result is best of breed the selected vendor will demonstrate experience with both PeopleSoft and Oracle and take contractual responsibility for the conversion.

- The current PeopleSoft configuration will be reviewed and updated to implement best practices before additional agencies are converted.

- Straddle agencies will convert in the initial project. In addition, any updates to the existing IBIS agency financial structure will be implemented in the initial project. Since these agencies already use IBIS, these agencies present the least risk for conversion and provide a significant benefit for the agencies.

5. Constraints to Address

Key constraints that must be addressed during the planning and implementation of the financial and HR/payroll conversions are:

- **Project Governance** – Project governance is the most key constraint to address. Without a best practices sponsorship and decision-making process the likelihood of failure substantially increases. It is imperative that these projects succeed. Therefore, the governance issue must be addressed as the highest priority.

  The Dye Management Group, Inc. Critical Assessment report describes a governance structure that will provide the rigor in guidance, control, and decision-making that is needed for these projects. Key elements of this report recommend:

  − Establish a Policy Committee with representation from the County Executive's Office, County council, and line departments to oversee the program.

  − Establish and staff other critical governance roles: Program Sponsor, Program Director, Technical Steering Committee, Program Manager, and Program Management Office.

  − Acquire the services of an outside integrator to staff the Program Manager position and the Program Management Office, and be responsible for the success of the program.

  − Acquire an independent program oversight operating in a proactive, problem avoidance manner, to help catch early warning signs of project trouble while there is still a high likelihood of finding a successful remedy.

  The county has developed a number of committees that perform some of these functions. There are still governance issues. The governance structure needs further refinement to assure that the right managers and staff is represented in each role.

6. Change Management Approach

Change management helps to minimize the depth and length of disruption brought on as result of major change. People are rarely comfortable with change—even change that appears positive. Much, if not most, of this discomfort is due to the uncertainty of change. Employees and managers should assume equal responsibility for helping to minimize discomfort through knowledge and skill development, clarity of leadership, and open communications.

An ERP implementation project is not just a software implementation project; it is a large undertaking for the business. A successful ERP implementation effort requires analysis of business processes and procedures, organization objectives, services, roles and responsibilities. Like any new system, users must be trained on how to use the system. In addition, an ERP implementation will require users to take an active role in configuring the system to process their information and meet their needs.
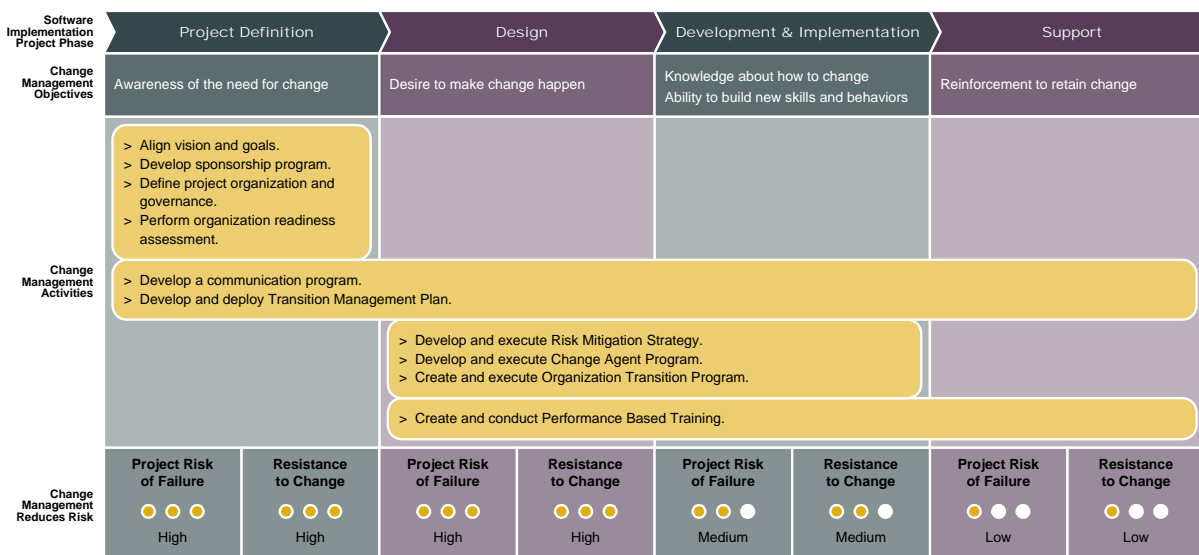
An ERP implementation is also a great opportunity for the business to improve and automate processes. These process changes may require changes to the organization, its procedures, controls, products, and services. Many ERP projects fail to be successfully integrated into an organization when these changes are not addressed properly. Therefore, a change management process needs to be undertaken that runs parallel to the project, which ensures changes are accepted and the transition is successful.

The purpose of the proposed change management plan for King County includes:

- Securing ongoing, committed, and involved executive level support. This support should be from the very highest level possible.

- Explaining the capabilities of the new ERP application to the various business units and working with them to obtain their buy-in for the new system—and ultimately their concurrence to change processes as required.

- Communicating the benefits of the new system to the decision-makers in terms of what the new system will bring to them.

- Planning and preparing for the appropriate level of resources, with the appropriate authority, that will be required to successfully implement the new system

Exhibit IV-3 shows how our proposed change management approach parallels the implementation lifecycle.

Exhibit IV-3: Development Life Cycle with Associated Change Management

Software Implementation Project Phase	Project Definition		Design		Development & Implementation		Support	
Change Management Objectives	Awareness of the need for change		Desire to make change happen		Knowledge about how to change. Ability to build new skills and behaviors		Reinforcement to retain change	
Change Management Activities	> Align vision and goals. > Develop sponsorship program. > Define project organization and governance. > Perform organization readiness assessment.							
	> Develop a communication program. > Develop and deploy Transition Management Plan.							
			> Develop and execute Risk Mitigation Strategy. > Develop and execute Change Agent Program. > Create and execute Organization Transition Program.					
			> Create and conduct Performance Based Training.					
Change Management Reduces Risk	Project Risk of Failure ○○○ High	Resistance to Change ○○○ High	Project Risk of Failure ○○○ High	Resistance to Change ○○○ High	Project Risk of Failure ○○○ Medium	Resistance to Change ○○○ Medium	Project Risk of Failure ○○○ Low	Resistance to Change ○○○ Low

The goal of the change management process will be to first understand the impact of a planned change on the organization and the people affected. Secondly, the change management effort will manage the transition of the organization to the new environment and prepare affected people for the change. Finally, the change management process ensures acceptance of the change by resolving operational and cultural issues.

Our proposed change management approach for King County consists of a comprehensive set of change management activities including:

- Alignment of Vision and Goals.
- Sponsorship Program.
- Organizational Readiness Assessment.
- Communication Program.
- Risk Mitigation Strategy.
- Change Agent Program.
- Organization Transition Program.
- Performance Based Training.
- Transition Management Plan.

Each of these elements of our Change Management approach is described in further detail below.

a. Alignment of Project Vision and Goals

The first step is to align the project vision and goals with King County's vision and goals. This activity includes:

- Reviewing the organization's vision statement and strategic plan.

- Assessing how well the vision is communicated and internalized throughout the organization.

- Analyzing the project's business case to determine if the drivers for the project align with the vision proposition.

- Creating a project vision.

- Developing project goals and critical success factors.

- Incorporating project vision and goals into the Communications Program.

b. Sponsorship Program

A Sponsorship Program will be established to enable and measure leadership commitment, and its readiness and willingness to lead change. The activities of this program are:

- Selecting and interviewing key leaders.

- Documenting issues, concerns, and attitudes.

- Determining the sponsor roles and responsibilities.

- Educating leaders on the critical elements of effective sponsors.

- Assisting leaders in assessing their sponsorship capabilities.

- Recommending activities to close capability gaps.

- Assisting in developing transition activities for sponsors.

- Providing support necessary to enable sponsors to transition their employees.

c. Organization Readiness Assessment

An Organization Readiness Assessment will be conducted to assess the county's commitment, readiness, and ability to accept and sustain the changes required by this initiative, including cultural elements. The activities of the Organization Readiness Assessment are:

- Identifying issues that impede change.

- Identifying resistance points within the organization.

- Providing a picture of the organization's readiness to change.

- Developing interventions and activities to address change issues.

- Providing recommendations for transition management.

d. Communication Program

A Communication Program will be developed to manage project-related communications. The objectives of this program are:

- Creating guiding principles and strategy for delivering targeted communication to multiple audiences.

- Identifying messages that provide a clear and timely exchange of information (verbal, written, visual, etc.).

- Determining audiences, message sequences, timing to address audience need and media types (e.g., web site, newsletter, round table, and presentations).

- Organizing communication campaigns that progressively build from awareness to acceptance and commitment.

- Planning, building, and maintaining the level of active participation needed to transition the organization through sponsors, change agents, and campaigns.

- Gathering feedback, adjusting communications, and sustaining enthusiasm.

e. Risk Mitigation Strategy

A Risk Mitigation Strategy will be defined to identify, evaluate, and qualify the business impacts and risk factors associated with the changes to minimize risk. This will result in the creation of action plans to implement changes and mitigate risks. The activities of the risk mitigation strategy will include:

- Identifying major business impacts based on information gathered during process design.

- Defining additional business impacts and obstacles during workshop sessions.

- Categorizing and prioritizing business impacts and risks.

- Assigning ownership to impacts and determining initial actions required for high priority changes/risks.

- Creating action plans to address process changes/risks.

- Tracking and monitoring the process change and risk mitigation action plans.

f. Change Agent Program

A Change Agent Program will be established to prepare and involve change agents to address stakeholder issues and concerns. This team implements the process changes and supports identified stakeholders. The activities of this program are:

- Determining the level of commitment/resistance of the key stakeholder groups.

- Defining an approach to address stakeholder issues and concerns.

- Defining transition activities to support and enable stakeholder groups.

- Identifying and organizing change agents to execute transition activities.

- Monitoring change agent activities and stakeholder responses to maintain active participation.

- Sustaining enthusiasm and momentum to enable change to become institutionalized.

g. Organization Transition Program

An Organization Transition Program will be developed to identify, communicate, and implement the new/changed roles and responsibilities that result from redesigned business processes. The activities of this program are:

- Defining new/changed roles resulting from process design activities.

- Identifying gaps and redundancies in current and new/changed roles based on new/changed processes.

- Determining new skills needed to support the new/changed processes.

- Communicating findings to the project and management teams at multiple levels.

- Involving management in determining changes needed to align the target organization and create new jobs.

- Creating organization transition plans to prepare the employees to accept their new jobs.

h.   Performance Based Training

A comprehensive, performance based training plan will be defined to help develop and deliver performance, role based training to enable employees to develop the business, application, and technical skills needed to implement the new financial solution and the PeopleSoft conversion. The objectives of this training plan include:

- Assessing user and application requirements to define a learning strategy that meets the needs of the users.

- Defining and developing the curriculum and system infrastructure needed to deliver effective training.

- Creating training materials and e-learning, including possible web-based and virtual classroom to meet requirements.

- Conducting training delivery, just enough, just in time.

- Creating Performance Support, Online Help, and Ongoing Training Programs.

i.   Transition Management Plan

A Transition Management Plan will be developed to support the actual deployment of the process changes, change strategies, and transition activities developed as part of the Organization Change Management Program through a Transition Management Plan. The activities of this plan are:

- Defining support organization required for new ERP system and developing plan for implementing this organization

- Coordinating and performing transition management that supports the following organizational change management components:

  − Project and Organization Vision Alignment.

  − Organization Readiness Assessment.

  − Sponsorship Program

  − Change Agent Deployment Program.

  − Communications Program

  − Process Change Implementation and Risk Mitigation Program.

  − Organization Transition.

- Monitoring and coordinating dependencies, feedback results, and transition activities, and making adjustments as necessary.

7. Assumptions

Key transition plan assumptions include:

- PeopleSoft will be retained as the human resources/payroll solution.

- Oracle will be the financial solution.

- A system integrator will be selected to manage and staff the transition projects. Because the end result is best of breed the selected vendor will demonstrate experience with both PeopleSoft and Oracle and take contractual responsibility for the conversion.

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  - Establish and staff other critical governance roles: Program Sponsor, Program Director, Technical Steering Committee, Program Manager, and Program Management Office.

  - Acquire the services of an outside integrator to staff the Program Manager position and the Program Management Office, and be responsible for the success of the program.